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

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2020

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 001-36159

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

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

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

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

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

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

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

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

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

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

Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ] Smaller reporting company [X]
Emerging growth company [ ]

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

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

The number of outstanding shares of the registrant's common stock on April 30, 2020 was 69,042,016.

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ITEM 1. FINANCIAL STATEMENTS

STEREOTAXIS, INC.
BALANCE SHEETS

	March 31, 2020	December 31, 2019
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 28,024,723	$ 30,182,115
Accounts receivable, net of allowance of $401,692 and $380,212 at 2020 and 2019, respectively	4,615,078	5,329,577
Inventories, net	3,170,140	1,847,530
Prepaid expenses and other current assets	1,390,503	1,470,922
Total current assets	37,200,444	38,830,144
Property and equipment, net	220,324	250,443
Operating lease right-of-use assets	3,790,044	4,286,064
Long-term receivables	95,483	-
Other assets	196,674	218,103
Total assets	$ 41,502,969	$ 43,584,754
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 2,002,297	$ 2,099,097
Accrued liabilities	2,342,197	2,721,104
Deferred revenue	5,266,715	5,092,455
Current portion of operating lease liabilities	2,255,875	2,248,189
Total current liabilities	11,867,084	12,160,845
Long-term deferred revenue	510,689	554,258
Operating lease liabilities	1,585,928	2,089,537
Other liabilities	255,517	255,517
Total liabilities	14,219,218	15,060,157
Series A - Convertible preferred stock:		
Convertible preferred stock, Series A, par value $0.001; 22,918 and 23,110 shares outstanding at 2020 and 2019, respectively	5,709,027	5,758,190
Stockholders' equity:		
Convertible preferred stock, Series B, par value $0.001; 10,000,000 shares authorized, 5,610,121 shares outstanding at 2020 and 2019	5,610	5,610
Common stock, par value $0.001; 300,000,000 shares authorized, 69,040,781 and 68,529,623 shares issued at 2020 and 2019, respectively	69,041	68,530
Additional paid in capital	504,990,377	504,211,040
Treasury stock, 4,015 shares at 2020 and 2019	(205,999)	(205,999)
Accumulated deficit	(483,284,305)	(481,312,774)
Total stockholders' equity	21,574,724	22,766,407
Total liabilities and stockholders' equity	$ 41,502,969	$ 43,584,754

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Revenue:		
Systems	$ -	$ 58,051
Disposables, service and accessories	5,509,711	6,710,759
Sublease	246,530	241,065
Total revenue	5,756,241	7,009,875
Cost of revenue:		
Systems	65,022	51,163
Disposables, service and accessories	639,863	1,114,360
Sublease	246,530	246,530
Total cost of revenue	951,415	1,412,053
Gross margin	4,804,826	5,597,822
Operating expenses:		
Research and development	2,109,170	2,959,219
Sales and marketing	2,915,424	3,309,829
General and administrative	1,832,726	1,468,160
Total operating expenses	6,857,320	7,737,208
Operating loss	(2,052,494)	(2,139,386)
Interest income	80,963	16,566
Net loss	$ (1,971,531)	$ (2,122,820)
Cumulative dividend on convertible preferred stock	(343,723)	(353,510)
Loss attributable to common stockholders	$ (2,315,254)	$ (2,476,330)
Net loss per share attributable to common stockholders:		
Basic	$ (0.03)	$ (0.04)
Diluted	$ (0.03)	$ (0.04)
Weighted average number of common shares and equivalents:		
Basic	69,870,040	59,196,652
Diluted	69,870,040	59,196,652

See accompanying notes.

STEREOTAXIS, INC
STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY
(Unaudited)

	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In	Treasury	Accumulated	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Stock	Deficit	(Deficit)
Balance at December 31, 2018	23,900	$ 5,960,475	-	$ -	59,058,297	$ 59,058	$ 478,179,574	$ (205,999)	$ (476,721,490)	$ 1,311,143
Issuance of common stock and warrants					33,087	33	16,390			16,423
Share-based compensation					166,962	167	147,787			147,954
Components of net loss									(2,122,820)	(2,122,820)
Employee stock purchase plan					14,625	15	15,049			15,064
Preferred stock conversion	(20)	(5,121)			35,266	35	5,086			5,121
Balance at March 31, 2019	23,880	$ 5,955,354	-	$ -	59,308,237	$ 59,308	$ 478,363,886	$ (205,999)	$ (478,844,310)	$ (627,115)

	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In	Treasury	Accumulated	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Stock	Deficit	(Deficit)
Balance at December 31, 2019	23,110	$ 5,758,190	5,610,121	$ 5,610	68,529,623	$ 68,530	$ 504,211,040	$ (205,999)	$ (481,312,774)	$ 22,766,407
Issuance of common stock and warrants					40,816	41	(23,891)			(23,850)
Share-based compensation					109,489	109	722,203			722,312
Components of net loss									(1,971,531)	(1,971,531)
Employee stock purchase plan					6,406	7	32,216			32,223
Preferred stock conversion	(192)	(49,163)			354,447	354	48,809			49,163
Balance at March 31, 2020	22,918	$ 5,709,027	5,610,121	$ 5,610	69,040,781	$ 69,041	$ 504,990,377	$ (205,999)	$ (483,284,305)	$ 21,574,724

See accompanying notes.

STEREOTAXIS, INC
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2020	**2019**
Cash flows from operating activities		
Net loss	$ (1,971,531)	$ (2,122,820)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	30,119	24,912
Non-cash lease expense	585,586	567,857
Share-based compensation	722,312	147,923
Changes in operating assets and liabilities:		
Accounts receivable	714,499	(218,359)
Inventories	(1,322,610)	(117,468)
Prepaid expenses and other current assets	80,419	189,686
Long term receivables	(95,483)	-
Other assets	21,429	41,194
Accounts payable	(96,800)	656,870
Accrued liabilities	(378,907)	(368,794)
Deferred revenue	130,691	(182,265)
Operating lease liability	(585,489)	(567,857)
Other liabilities	-	172,180
Net cash used in operating activities	(2,165,765)	(1,776,941)
Cash flows from investing activities		
Purchase of equipment	-	(9,833)
Net cash used in investing activities	-	(9,833)
Cash flows from financing activities		
Proceeds from issuance of stock, net of issuance costs	8,373	31,518
Net cash provided by financing activities	8,373	31,518
Net decrease in cash and cash equivalents	(2,157,392)	(1,755,256)
Cash and cash equivalents at beginning of period	30,182,115	10,796,072
Cash and cash equivalents at end of period	$ 28,024,723	$ 9,040,816

See accompanying notes.

Notes to Financial Statements

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

1. Description of Business

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

The *Genesis RMN* and *Niobe* Systems are designed to enable physicians to complete more complex interventional procedures by providing image-guided delivery of catheters through the blood vessels and chambers of the heart to treatment sites. This is achieved using externally applied magnetic fields that govern the motion of the working tip of the catheter, resulting in improved navigation, efficient procedures, and reduced x-ray exposure. As of March 31, 2020, the Company had an installed base of 123 *Niobe* ES Systems.

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

These interim financial statements and the related notes should be read in conjunction with the annual financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (SEC) on March 16, 2020.

Risks and Uncertainties

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

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

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

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

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

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

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

Financial Instruments

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

The Company measures certain financial assets and liabilities at fair value on a recurring basis. General accounting principles for fair value measurement established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3"). As of March 31, 2020 and December 31, 2019 the Company did not have any financial assets or liabilities valued at fair value on a recurring basis.

Revenue and Costs of Revenue

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

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

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

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

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

Systems:

Contracts related to the sale of systems typically contain separate obligations for the delivery of system(s), installation and an implied obligation to provide software enhancements if and when available for one year following installation. Revenue is recognized when the Company transfers control to the customer, which is generally at the point when acceptance occurs that indicates customer acknowledgment of delivery or installation, depending on the terms of the arrangement. Revenue from the implied obligation to deliver software enhancements if and when available is recognized ratably over the first year following installation of the system as the customer receives the right to software updates throughout the period and is included in Other Recurring Revenue. The Company's system contracts generally do not provide a right of return. Systems are generally covered by a one-year assurance type warranty; warranty costs were not material for the periods presented. There was no revenue from system delivery and installation for the three months ended March 31, 2020. Revenue from system delivery and installation represented 1% of revenue for the three months ended March 31, 2019.

Disposables:

Revenue from sales of disposable products is recognized when control is transferred to the customers, which generally occurs at the time of shipment, but can also occur at the time of delivery depending on the customer arrangement. Disposable products are covered by an assurance type warranty that provides for the return of defective products. Warranty costs were not material for the periods presented. Disposable revenue represented 34% and 36% of revenue for the three months ended March 31, 2020 and 2019, respectively.

Royalty:

The Company is entitled to royalty payments from Biosense Webster, payable quarterly based on net revenues from sales of the co-developed catheters. Royalty revenue from the co-developed catheters represented 10% and 11% of revenue for the three months ended March 31, 2020 and 2019, respectively.

Other Recurring Revenue:

Other recurring revenue includes revenue from product maintenance plans, other post warranty maintenance, and the implied obligation to provide software enhancements if and when available for one year following installation. Revenue from services and software enhancements is deferred and amortized over the service or update period, which is typically one year. Revenue related to services performed on a time-and-materials basis is recognized when performed. Other recurring revenue represented 52% and 50% of revenue for the three months ended March 31, 2020 and 2019, respectively.

Sublease Revenue:

The adoption of new lease accounting guidance as of January 1, 2019 required the Company to record sublease income as revenue beginning in 2019. Sublease revenue represented 4% and 3% of revenue for the three months ended March 31, 2020 and 2019, respectively.

	Three Months Ended March 31,	
	2020	**2019**
Systems	$ -	$ 58,051
Disposables, service and accessories	5,509,711	6,710,759
Sublease	246,530	241,065
Total revenue	$ 5,756,241	$ 7,009,875

Transaction price allocated to remaining performance obligations relates to amounts allocated to products and services for which the revenue has not yet been recognized. A significant portion of this amount relates to the Company's systems contracts and obligations that will be recognized as revenue in future periods. These obligations are generally satisfied within two years after contract inception but may occasionally extend longer. Transaction price representing revenue to be earned on remaining performance obligations on system contracts was approximately $4.6 million as of March 31, 2020. Performance obligations arising from contracts for disposables, royalty and service are generally expected to be satisfied within one year after entering into the contract.

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

	March 31, 2019		December 31, 2019	
Contract Assets - Unbilled Receivables	$	99,793	$	168,445
Customer deposits		597,000		-
Product shipped, revenue deferred		674,666		674,324
Deferred service and license fees		4,505,738		4,972,389
Total deferred revenue		5,777,404		5,646,713
Less: Long-term deferred revenue		(510,689)		(554,258)
Total current deferred revenue	$	5,266,715	$	5,092,455

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

Revenue recognized for the three months ended March 31, 2020 and 2019, that was included in the deferred revenue balance at the beginning of each reporting period was $2.6 million and $2.9 million respectively.

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

The Company has determined that sales incentive programs for the Company's sales team meet the requirements to be capitalized as the Company expects to generate future economic benefits from the related revenue generating contracts after the initial capital sales transaction. The costs capitalized as contract acquisition costs included in prepaid expenses and other assets in the Company's balance sheet were $0.3 million as of and March 31, 2020 and December 31, 2019. The Company did not incur any impairment losses during any of the periods presented.

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

Share-Based Compensation

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

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

Net Earnings (Loss) per Common Share

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

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

	Three Months Ended March 31,	
	2020	2019
Net loss	$ (1,971,531)	$ (2,122,820)
Cumulative dividend on convertible preferred stock	(343,723)	(353,510)
Net loss attributable to common stockholders	$ (2,315,254)	$ (2,476,330)
Weighted average number of common shares and equivalents:	69,870,040	59,196,652
Basic EPS	$ (0.03)	$ (0.04)
Diluted EPS	$ (0.03)	$ (0.04)

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

As of March 31, 2020, the Company had 2,661,002 shares of common stock issuable upon the exercise of outstanding options and stock appreciation rights at a weighted average exercise price of $2.97 per share, 15,385 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $0.70 per share, 42,671,430 shares of common stock issuable upon the conversion of Series A Convertible Preferred Stock and accumulated dividends, 5,610,121 shares of common stock issuable upon the conversion of Series B Convertible Preferred Stock, and 940,973 shares of unvested restricted share units.

Recently Issued Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes” as part of its effort to reduce the complexity of accounting standards. The ASU is effective for fiscal years beginning after December 15, 2020. The Company does not expect that the adoption of this new guidance will have a material impact on the Company’s financial results.

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

3. Inventories

Inventories consist of the following:

	March 31, 2020	December 31, 2019
Raw materials	$ 3,820,618	$ 3,063,532
Work in process	454,135	515,262
Finished goods	2,784,171	2,164,187
Reserve for obsolescence	(3,888,784)	(3,895,451)
Total inventory	$ 3,170,140	$ 1,847,530

4. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

	March 31, 2020	December 31, 2019
Prepaid expenses	$ 422,061	$ 640,252
Prepaid commissions	307,339	336,594
Deposits	857,777	712,179
Total prepaid expenses and other assets	1,587,177	1,689,025
Less: Noncurrent prepaid expenses and other assets	(196,674)	(218,103)
Total current prepaid expenses and other assets	$ 1,390,503	$ 1,470,922

5. Property and Equipment

	March 31, 2020	December 31, 2019
Equipment	$ 6,485,873	$ 6,485,873
Leasehold improvements	2,338,441	2,338,441
	8,824,314	8,824,314
Less: Accumulated depreciation	(8,603,990)	(8,573,871)
Net property and equipment	$ 220,324	$ 250,443

6. Leases

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. On January 1, 2019, the Company adopted ASU No. 2016-02 *"Leases" (Topic 842)* and all subsequent ASUs that modified Topic 842. The Company determines if an arrangement contains a lease at inception. For the Company, Accounting Standards Codification ("ASC 842") primarily affected the accounting treatment for operating lease agreements in which the Company is the lessee.

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

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

The calculated amounts of the ROU assets and lease liabilities are impacted by the length of the lease term and the discount rate used to calculate the present value of the minimum lease payments. ASC 842 requires the use of the discount rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception. At March 31, 2020, the weighted average discount rate for operating leases was 9.0% and the weighted average remaining lease term for operating lease term is 1.75 years.

The following table represents lease costs and other lease information.

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Operating lease cost	$ 585,586	$ 585,586
Short-term lease cost	15,470	19,809
Sublease income	(246,530)	(241,065)
Total lease cost	$ 354,526	$ 364,330
Cash paid within operating cash flows	$ 636,350	$ 615,266

The initial recognition of the right of use assets in 2019 was $6.2 million. Variable lease costs consist primarily of taxes, insurance, and common area or other maintenance costs for our leased facilities and equipment which are paid based on actual costs incurred.

Future minimum payments for operating leases with initial or remaining terms of one year or more as of March 31, 2020, excluding sublease income, were as follows:

	March 31, 2020
2020	$ 1,754,379
2021	2,382,661
2022 and thereafter	-
Total lease payments	$ 4,137,040
Less: Interest	(295,237)
Present value of lease liabilities	$ 3,841,803

The undiscounted future cash flows to be received under the sublease are $0.7 million in 2020 and $1.0 million in 2021.

7. Accrued Liabilities

Accrued liabilities consist of the following:

	March 31, 2020	December 31, 2019
Accrued salaries, bonus, and benefits	$ 1,055,345	$ 1,421,150
Accrued licenses and maintenance fees	483,879	483,879
Accrued warranties	133,433	141,697
Accrued taxes	169,654	206,232
Accrued professional services	415,342	383,342
Other	340,061	340,321
Total accrued liabilities	2,597,714	2,976,621
Less: Long term accrued liabilities	(255,517)	(255,517)
Total current accrued liabilities	$ 2,342,197	$ 2,721,104

8. Long-Term Debt and Credit Facilities

The Company has had a working capital line of credit with its primary lender, Silicon Valley Bank, since 2004. The working capital line of credit matures on June 30, 2020. The revolving line of credit is secured by substantially all of the Company's assets. The maximum available under the line is $5.0 million subject to the value of collateralized assets and the interest rate is equal to the prime rate subject to a floor of 4.5%. The Company is required under the revolving line of credit to maintain its primary operating account and the majority of its cash and investment balances in accounts with its primary lender.

On June 27, 2019, the Company entered into a Second Amendment to and Reinstatement of Third Amended and Restated Loan and Security Agreement with Silicon Valley Bank to extend the maturity of the revolving line of credit to June 30, 2020 under substantially identical terms to the prior agreement.

As of March 31, 2020, the Company had no outstanding balance under the revolving line of credit. Draws on the line of credit were made based on the borrowing capacity one week in arrears. As of March 31, 2020, the Company had a borrowing capacity of $3.4 million based on the Company's collateralized assets. The Company's total liquidity as of March 31, 2020, was $31.4 million which included cash and cash equivalents of $28.0 million.

9. Convertible Preferred Stock and Stockholders' Equity

The holders of common stock are entitled to one vote for each share held and to receive dividends whenever funds are legally available and when declared by the Board of Directors subject to the rights of holders of all classes of stock having priority rights as dividends and the conditions of the revolving line of credit agreement. No dividends have been declared or paid as of March 31, 2020.

2019 Equity Financing and Series B Convertible Preferred Stock

On August 7, 2019, the Company entered into a Securities Purchase Agreement with certain institutional and other accredited investors, whereby it, in a private placement, agreed to issue and sell to the investors an aggregate of 6,585,000 shares of the Company's common stock, $0.001 par value per share, at a price of $2.05 per share and 5,610,121 shares of the Company's Series B Convertible Preferred Stock, $0.001 par value per share which are convertible into shares of the Company's Common Stock, at a price of $2.05 per share. The Series B Preferred Stock, which is a Common Stock equivalent but non-voting and with a blocker on conversion if the holder would exceed a specified threshold of voting security ownership, is convertible into Common Stock on a one-for-one basis, subject to adjustment for events such as stock splits, combinations and the like as provided in the Purchase Agreement. The Series B Convertible Preferred Stock is reported in the stockholder's equity section of the Company's balance sheet.

The Company received net proceeds of approximately $23.1 million, after offering expenses.

Series A Convertible Preferred Stock and Warrants

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

The warrants issued in conjunction with the convertible preferred stock (the "SPA Warrants") have an exercise price equal to $0.70 per share subject to adjustments as provided under the terms of the warrants. The warrants are exercisable through September 29, 2021, subject to specified beneficial ownership issuance limitations.

Stock Award Plans

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

At March 31, 2020, the Company had 2,192,829 remaining shares of the Company's common stock to provide for current and future grants under its various equity plans.

At March 31, 2020, the total compensation cost related to options, stock appreciation rights, and non-vested stock granted to employees under the Company's stock award plans but not yet recognized was approximately $4.3 million. This cost will be amortized over a period of up to four years over the underlying estimated service periods and will be adjusted for subsequent changes in actual forfeitures and anticipated vesting periods.

A summary of the option and stock appreciation rights activity for the three month period ended March 31, 2020 is as follows:

	Number of Options/SARs	Range of Exercise Price	Weighted Average Exercise Price per Share
Outstanding, December 31, 2019	1,857,599	$0.74 - $36.20	$ 2.22
Granted	887,250	$3.98 - $4.52	$ 4.51
Exercised	(10,046)	$0.74 - $2.03	$ 1.19
Forfeited	(73,801)	$0.74 - $4.04	$ 2.75
Outstanding, March 31, 2020	2,661,002	$0.74 - $36.20	$ 2.97

A summary of the restricted stock unit activity for the three month period ended March 31, 2020 is as follows:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value per Unit
Outstanding, December 31, 2019	840,712	$ 1.28
Granted	210,000	$ 5.24
Vested	(109,489)	$ 2.00
Forfeited	(250)	$ 0.78
Outstanding, March 31, 2020	940,973	$ 2.08

10. Product Warranty Provisions

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

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

	March 31, 2020	December 31, 2019
Warranty accrual, beginning of the fiscal period	$ 141,697	$ 149,464
Accrual adjustment for product warranty	7,637	56,118
Payments made	(15,901)	(63,885)
Warranty accrual, end of the fiscal period	$ 133,433	$ 141,697

11. 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.

12. Subsequent Events

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted on March 27, 2020 in the United States. Among the provisions contained in the CARES Act is the creation of the Paycheck Protection Program that provides for Small Business Administration ("SBA") Section 7(a) loans for qualified small businesses. The loan can be forgiven as long as the funds are used for payroll related expenses as well rent and utilities paid during the eight week period from the date of the loan. On April 10, 2020, the Company was informed by its lender, Midwest BankCentre (the "Bank"), that the Bank received approval from the SBA to fund the Company's request for a loan under the SBA's Paycheck Protection Program ("PPP Loan"). Per the terms of the PPP Loan, the Company received total proceeds of $2,158,310 from the Bank on April 20, 2020. In accordance with the loan forgiveness requirements of the CARES Act, the Company intends to use the proceeds from the PPP Loan primarily for payroll costs, rent and utilities, thus 100% of the loan should be forgiven. The PPP Loan is scheduled to mature on April 20, 2022, has a 1.00% interest rate, and is subject to the terms and conditions applicable to all loans made pursuant to the Paycheck Protection Program as administered by the SBA under the CARES Act.

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

The following discussion and analysis should be read in conjunction with our financial statements and notes thereto included in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2019. Operating results are not necessarily indicative of results that may occur in future periods.

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

Overview

Stereotaxis designs, manufactures and markets robotic magnetic navigation systems for use in a hospital's interventional surgical suite to enhance the treatment of arrhythmias and coronary artery disease. Our primary products include the *Genesis RMN* System, the *Niobe* System, the *Odyssey* Solution, and related devices. We also offer our customers the Stereotaxis Imaging Model S x-ray System. We believe that robotic magnetic navigation systems represent a revolutionary technology in the interventional surgical suite, or "interventional lab," and have the potential to become the standard of care for a broad range of complex cardiology procedures. We also believe that our technology represents an important advance in the ongoing trend toward digital instrumentation in the interventional 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.

The *Genesis RMN* System is the latest generation of the robotic magnetic navigation system. This system is designed to enable physicians to complete more complex interventional procedures by providing image-guided delivery of catheters and guidewires through the blood vessels and chambers of the heart to treatment sites. This is achieved using externally applied magnetic fields that govern the motion of the working tip of the catheter or guidewire, resulting in improved navigation, efficient procedures and reduced x-ray exposure. We have received regulatory clearance, licensing and CE Mark approvals necessary for us to market the *Genesis RMN* System in the U.S. and Europe. The core components of the previous generation robotic magnetic navigation system, the *Niobe* System, have received regulatory clearance in the U.S., Canada, Europe, China, Japan, and various other countries. As of March 31, 2020, the Company had an installed base of 123 *Niobe* ES Systems.

Stereotaxis also has developed the *Odyssey* Solution which consolidates lab information enabling physicians to focus on the patient for optimal procedure efficiency. The system also features a remote viewing and recording capability called *Odyssey Cinema*, which is an innovative solution delivering synchronized content for optimized workflow, advanced care, and improved productivity. This tool includes an archiving capability that allows clinicians to store and replay entire procedures or segments of procedures. This information can be accessed from locations throughout the hospital local area network and over the global *Odyssey* Network providing physicians with a tool for clinical collaboration, remote consultation, and training. The *Odyssey* Solution may be acquired in conjunction with a robotic magnetic navigation system or on a stand-alone basis for installation in interventional labs and other locations where clinicians often desire the benefits of the *Odyssey* Solution that we believe can improve clinical workflows and related efficiencies.

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

COVID-19 Pandemic

Prior to the spread of COVID-19, we experienced procedure trends consistent with the fourth quarter of 2019. We also saw strength in new capital orders. Beginning in January 2020, we saw a substantial reduction in robotic procedures in Asia Pacific, especially in China. By the height of the pandemic in that region, weekly procedures decreased to approximately 40% of the average rate experienced in the fourth quarter. As the COVID-19 pandemic subsided in China in March 2020, procedure volume began to recover and, by the end of the first quarter of 2020, we were seeing weekly procedures in the Asia Pacific region approach 70% of the fourth quarter average rates. Procedure disruption in other geographies was not significant until the middle of March 2020, when the worldwide impact of COVID-19 intensified. By the end of March, procedures in the U.S and Europe, which represent the majority of our procedures, declined to approximately 70% of the weekly procedure rate experienced in the fourth quarter of 2019.

As the pandemic spread throughout the first quarter of 2020, various local restrictions on travel, mandatory closures, social distancing protocols and shelter-in-place orders negatively impacted our ability to complete installation and service activities, which resulted in declines in system and service revenue in the first quarter. We expect to resume our normal installation and service activities once restrictions in various geographies are relaxed.

Our supply-chain also experienced some impact as some suppliers struggled to source sub-components in February when most factories in China were seemingly closed. These issues have been mostly alleviated with the opening of the Chinese economy. We have also taken proactive actions to reduce the risk that a prolonged reduction in Chinese manufacturing may have on us.

The magnitude of the impact that the pandemic will have on our business will vary by individual geography based on the extent of the outbreak in each area, specific governmental restrictions and the availability of testing capabilities, personal protective equipment, and hospital facilities, as well as decisions by our vendors, suppliers, customers and, ultimately, patients in response to the pandemic, none of which we are able to currently and accurately predict. While we cannot reliably estimate the depth or length of the impact, we expect procedure volume, installations, and service activities to significantly decline or be delayed in the second quarter of 2020 and beyond as COVID-19 infections spread, causing additional strain on hospital resources, combined with recommended deferrals of elective procedures by governments and other authorities. In addition, we would expect that additional capital system orders will also experience some delay. While some markets, e.g., China, appear to be recovering, it is possible that a recurrence of COVID-19 will negatively impact procedures. Further, we do not expect all markets to recover at the same pace or in a linear fashion

Capital markets and worldwide economies have also been significantly impacted by the COVID-19 pandemic, and it is possible that it could cause a local and/or global economic recession. Such economic recession could have a material adverse effect on our long-term business as hospitals curtail and reduce capital and overall spending or redirect such spending to treatments related directly to the pandemic. To-date, our manufacturing operations and supply chains have been minimally interrupted, but we cannot guarantee that such will not be interrupted further in the future. If our manufacturing operations or supply chains are interrupted, it may not be possible for us to timely manufacture relevant products at required levels, or at all. A material reduction or interruption to any of our manufacturing processes could have a material adverse effect on our business, operating results, and financial condition. Further, the COVID-19 pandemic and local actions, such as "shelter-in-place" orders and restrictions on our ability to travel and access our customers or temporary closures of our facilities or the facilities of our suppliers and their contract manufacturers, could also significantly impact our sales and our ability to ship our products and supply our customers. Any of these events could negatively impact the number of procedures performed and the number of system placements and have a material adverse effect on our business, financial condition, results of operations, or cash flows.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. We review our estimates and judgments on an on-going basis. We base our estimates and judgments on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. We believe the following accounting policies are critical to the judgments and estimates we use in preparing our financial statements. For a complete listing of our critical accounting policies, please refer to our Annual Report on Form 10-K for the year ended December 31, 2019.

Revenue Recognition

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

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

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

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

Systems:

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

Disposables:

Revenue from sales of disposable products is recognized when control is transferred to the customers, which generally occurs at the time of shipment, but can also occur at the time of delivery depending on the customer arrangement. Disposable products are covered by a warranty that provides for the return of defective products. Warranty costs were not material for the periods presented.

Royalty:

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

Other Recurring Revenue:

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

Sublease Revenue:

The adoption of new lease accounting guidance as of January 1, 2019 required the Company to record sublease income as revenue beginning in 2019.

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

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

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

Leases

On January 1, 2019, the Company adopted ASU No. 2016-02 *"Leases" (Topic 842)* and all subsequent ASUs that modified Topic 842. A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The Company determines if a contract contains a lease at inception. For contracts where the Company is the lessee, operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liability on the Company's balance sheet. The Company currently does not have any finance leases.

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

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

Cost of Contracts

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

Results of Operations

Comparison of the Three Months Ended March 31, 2020 and 2019

Revenue. Revenue decreased from $7.0 million for the three months ended March 31, 2019 to $5.7 million for the three months ended March 31, 2020, a decrease of 17%. There was no revenue from the sales of systems for the three months ended March 31, 2020 and less than $0.1 million for the three months ended March 31, 2019. Revenue from sales of disposable interventional devices, service, and accessories decreased to $5.5 million for the three months ended March 31, 2020 from $6.7 million for the three months ended March 31, 2019, a decrease of approximately 18% due to lower sales of disposable products and declines in service revenue. The Company recognized $0.2 million of sublease revenue for the both the three month periods ended March 31, 2020 and March 31, 2019.

Cost of Revenue. Cost of revenue decreased from $1.4 million for the three months ended March 31, 2019 to $1.0 million for the three months ended March 31, 2020, a decrease of approximately 33%. As a percentage of our total revenue, overall gross margin increased to 83% for the three months ended March 31, 2020 from 80% for the three months ended March 31, 2019. Cost of revenue for systems sold remained consistent at less than $0.1 million for the three months ended March 31, 2020 and March 31, 2019. Gross margin for systems was less than $0.1 million for the three months ended March 31, 2019 compared to negative $0.1 million for the three months ended March 31, 2020. Cost of revenue for disposables, service, and accessories decreased to $0.6 million for the three months ended March 31, 2020 from $1.1 million for the three months ended March 31, 2019 primarily due to lower expenses incurred under service contracts in the current year period and to a lesser extent, decreased disposable sales volumes. Gross margin for disposables, service, and accessories was 88% for current year period compared to 83% for the three months ended March 31, 2019. Cost of sublease revenue was $0.2 million for both the three month periods ended March 31, 2020 and March 31, 2019.

Research and Development Expenses. Research and development expenses decreased from $3.0 million for the three months ended March 31, 2019 to $2.1 million for the three months ended March 31, 2020, a decrease of approximately 29%. This decrease was primarily due to lower project spending in the three months ending March 31, 2020.

Sales and Marketing Expenses. Sales and marketing expenses decreased from $3.3 million for the three months ended March 31, 2019 to $2.9 million for the three months ended March 31, 2020, a decrease of approximately 12%. This decrease was primarily due to lower headcount costs, and reductions in travel and trade-show related expenses.

General and Administrative Expenses. General and administrative expenses include finance, information systems, legal, and general management. General and administrative expenses increased from $1.5 million for the three months ended March 31, 2019 to $1.8 million for the three months ended March 31, 2020, an increase of approximately 25%. This increase was primarily due to increased non-cash director compensation driven by stock appreciation as compared to the prior year period.

Interest Income (Expense). Interest income was less than $0.1 million for the three months ended March 31, 2020 and March 31, 2019.

Liquidity and Capital Resources

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

At March 31, 2020 we had $28.0 million of cash and equivalents. We had working capital of $25.3 million as of March 31, 2020 compared to approximately $26.7 million as of December 31, 2019. The decrease in working capital was primarily driven by the net loss incurred during the three months of 2020.

The following table summarizes our cash flow by operating, investing and financing activities for the three months ended March 31, 2020 and 2019 (in thousands):

	Three Months Ended March 31,	
	2020	**2019**
Cash flow used in operating activities	$ (2,166)	$ (1,777)
Cash flow used in investing activities	-	(10)
Cash flow provided by financing activities	8	32

Net cash used in operating activities. We used approximately $2.2 million and $1.8 million of cash for operating activities during the three months ended Mach 31, 2020 and 2019, respectively. The increase in cash used in operating activities was driven by inventory purchases offset by lower cash operating losses.

Net cash used in investing activities. We did not use any cash for investing activities during the three months ended March 31, 2020. We used less than $0.1 million of cash during the three months ended March 31, 2019 for purchases of equipment.

Net cash provided by financing activities. We generated less than $0.1 million of cash for the three month period ended March 31, 2020 and March 31, 2019. The cash generated in the three month periods ended March 31, 2020 and March 31, 2019 was driven by the proceeds from issuance of stock, net of issuance costs.

Capital Resources

As of March 31, 2020, our borrowing facilities were comprised of a revolving line of credit maintained with our primary lender, Silicon Valley Bank.

Revolving Line of Credit

The Company has had a working capital line of credit with its primary lender, Silicon Valley Bank, since 2004. The working capital line of credit matures on June 30, 2020. The revolving line of credit is secured by substantially all of the Company's assets. The maximum available under the line is $5.0 million subject to the value of collateralized assets and the interest rate is equal to the prime rate subject to a floor of 4.5%. The Company is required under the revolving line of credit to maintain its primary operating account and the majority of its cash and investment balances in accounts with its primary lender.

On June 27, 2019, the Company entered into a Second Amendment to and Reinstatement of Third Amended and Restated Loan and Security Agreement with Silicon Valley Bank to extend the maturity of the revolving line of credit to June 30, 2020 under substantially identical terms to the prior agreement.

As of March 31, 2020, the Company had no outstanding balance under the revolving line of credit. Draws on the line of credit were made based on the borrowing capacity one week in arrears. As of March 31, 2020, the Company had a borrowing capacity of $3.4 million based on the Company's collateralized assets. The Company's total liquidity as of March 31, 2020, was $31.4 million which included cash and cash equivalents of $28.0 million.

Paycheck Protection Program

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted on March 27, 2020 in the United States. Among the provisions contained in the CARES Act is the creation of the Paycheck Protection Program that provides for Small Business Administration ("SBA") Section 7(a) loans for qualified small businesses. The loan can be forgiven as long as the funds are used for payroll related expenses as well rent and utilities paid during the eight week period from the date of the loan. On April 10, 2020, the Company was informed by its lender, Midwest BankCentre (the "Bank"), that the Bank received approval from the SBA to fund the Company's request for a loan under the SBA's Paycheck Protection Program ("PPP Loan"). Per the terms of the PPP Loan, the Company received total proceeds of $2,158,310 from the Bank on April 20, 2020. In accordance with the loan forgiveness requirements of the CARES Act, the Company intends to use the proceeds from the PPP Loan primarily for payroll costs, rent and utilities, thus 100% of the loan should be forgiven. The PPP Loan is scheduled to mature on April 20, 2022, has a 1.00% interest rate, and is subject to the terms and conditions applicable to all loans made pursuant to the Paycheck Protection Program as administered by the SBA under the CARES Act.

The holders of common stock are entitled to one vote for each share held and to receive dividends whenever funds are legally available and when declared by the Board of Directors subject to the rights of holders of all classes of stock having priority rights as dividends and the conditions of the revolving line of credit agreement. No dividends have been declared or paid as of March 31, 2020.

2019 Equity Financing and Series B Convertible Preferred Stock

As disclosed in Note 9, on August 7, 2019, the Company entered into a Securities Purchase Agreement with certain institutional and other accredited investors, whereby it, in a private placement, agreed to issue and sell to the investors an aggregate of 6,585,000 shares of the Company's common stock, $0.001 par value per share, at a price of $2.05 per share and 5,610,121 shares of the Company's Series B Convertible Preferred Stock, $0.001 par value per share which are convertible into shares of the Company's Common Stock, at a price of $2.05 per share. The Series B Preferred Stock, which is a Common Stock equivalent but non-voting and with a blocker on conversion if the holder would exceed a specified threshold of voting security ownership, is convertible into Common Stock on a one-for-one basis, subject to adjustment for events such as stock splits, combinations and the like as provided in the Purchase Agreement. The Series B Convertible Preferred Stock is reported in the stockholders' equity section of the balance sheet.

The Company received net proceeds of approximately $23.1 million, after offering expenses.

Series A Convertible Preferred Stock and Warrants

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

The warrants issued in conjunction with the convertible preferred stock (the "SPA Warrants") have an exercise price equal to $0.70 per share subject to adjustments as provided under the terms of the warrants. The warrants are exercisable through September 29, 2021, subject to specified beneficial ownership issuance limitations.

Off-Balance Sheet Arrangements

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

ITEM 3. [RESERVED]

None.

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

The following risk factor is provided to update the risk factors previously disclosed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

The COVID-19 pandemic has significantly impacted worldwide economic conditions and could have a material adverse effect on our business, operating results, and financial condition.

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

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

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

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

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

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

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. [RESERVED]

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Number	Description
3.1	Restated Articles of Incorporation of the Registrant, incorporated by reference to Exhibit 3.1 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended September 30, 2004.
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K (File No. 000-50884) filed on July 10, 2012.
3.3	Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock, incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K (File No. 001-36159) filed on September 30, 2016.
3.4	Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock, incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K (File No. 001-36159) filed on August 8, 2019.
3.5	Restated Bylaws of the Registrant, incorporated by reference to Exhibit 3.2 of the Registrant's Form 10-Q (File No. 000-50884) for the fiscal quarter ended September 30, 2004.
10.1	Loan Agreement, dated April 20, 2020, between the Registrant and Midwest BankCentre, filed herewith.
31.1	Rule 13a-14(a)/15d-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Chief Executive Officer).
31.2	Rule 13a-14(a)/15d-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Chief Financial Officer).
32.1	Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Chief Executive Officer).
32.2	Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Chief Financial Officer).
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

STEREOTAXIS, INC.
SIGNATURES

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

	STEREOTAXIS, INC. (Registrant)
Date: May 11, 2020	By: */s/ David L. Fischel* **David L. Fischel** **Chief Executive Officer**
Date: May 11, 2020	By: */s/ Kimberly R. Peery* **Kimberly R. Peery** **Chief Financial Officer**

PROMISSORY NOTE

Borrower:	STEREOTAXIS INC 4320 FOREST PARK AVE STE 100 ST LOUIS, MO 63108-2979	**Lender:**	Midwest BankCentre Chesterfield Branch 2191 Lemay Ferry Road Saint Louis, MO 63125 (314) 631-5500

Principal Amount: $2,158,310.00 **Interest Rate: 1.000%** **Date of Note: April 20, 2020**

PROMISE TO PAY. STEREOTAXIS INC ("Borrower") promises to pay to Midwest BankCentre ("Lender"), or order, in lawful money of the United States of America, the principal amount of Two Million One Hundred Fifty-eight Thousand Three Hundred Ten & 00/100 Dollars ($2,158,310.00), together with interest on the unpaid principal balance from April 20, 2020, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 1.000% per annum based on a year of 360 days, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in accordance with the following payment schedule:

Borrower will pay this loan in 18 equal monthly payments of principal and interest beginning on November 20, 2020, and continuing on the same day of each month thereafter. Each monthly payment will be in an amount equal to the amount necessary to fully amortize the then-outstanding principal balance of the Note (after any forgiveness of indebtedness approved by Lender and the SBA (defined below) pursuant to the PPP (defined below)) at the interest rate set out above by the Maturity Date (defined below). Borrower's final payment will be due on April 20, 2022 (the "Maturity Date"), and will be for all principal and all accrued interest not yet paid.

The Note is subject to the limited loan forgiveness provisions of the Act (defined below), and any rules or regulations related thereto. To receive loan forgiveness under and pursuant to the Act, Borrower must apply for debt forgiveness through Lender. Borrower must submit to Lender an application and all documentation required under the Act, and all rules and regulations related thereto, plus any other documentation Lender or the SBA require and deem necessary or appropriate. There will be no loan forgiveness without Borrower's submission to Lender of a proper application and documentation.

Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 30/360 simple interest basis; that is, with the exception of odd days before the first full payment cycle, monthly interest is calculated by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by a month of 30 days. Interest for the odd days before the first full month is calculated on the basis of the actual days and a 360-day year. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Midwest BankCentre, Main Office, 2191 Lemay Ferry Road Saint Louis, MO 63125.

LATE CHARGE. If a payment is more than 15 days late, Borrower will be charged 10.000% of the regularly scheduled payment or $125.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by 5.000 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Change In Ownership. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Missouri without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Missouri.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the debt against any and all such accounts.

CHOICE OF VENUE. Any lawsuits arising under this document will be brought and prosecuted only in the state or federal courts having geographic jurisdiction over St. Louis County, Missouri and each party hereto consents to the sole jurisdiction of such courts.

SBA PROVISION . When SBA is the holder, this Note will be interpreted and enforced under federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt federal law..

SBA PAYCHECK PROTECTION PROGRAM. The loan by Lender and this Note is being made pursuant to the Small Business Administration's (the "SBA") Payment Protection Program ("PPP"), created under Sections 1102 and 1106 of the Coronavirus Aid, Relief and Economic Security Act (the "Act"). Borrower understands and acknowledges that the Note is subject to the terms and requirements of the Act, the PPP, the U.S. Department of the Treasury (the "Department") and the SBA, as modified or amended from time to time. Immediately upon request by Lender, Borrower agrees to provide Lender with all information and documentation, and to execute and deliver to Lender all further documentation, required by the Department, the SBA or Lender. Without limiting the foregoing, Borrower agrees to execute a replacement or substitute of this Note on any form provided or required by the SBA for PPP loans on or after the date of this Note immediately upon Lender's request. Borrower agrees that the proceeds of this Note shall be used only for those purposes permitted under the Act for PPP loans..

PURPOSE. SBA Paycheck Protection Program.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

ORAL OR UNEXECUTED 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, REGARDLESS OF THE LEGAL THEORY UPON WHICH IT IS BASED THAT IS IN ANY WAY RELATED TO THE CREDIT AGREEMENT. TO PROTECT YOU (BORROWER(S)) AND US (CREDITOR) 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.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

STEREOTAXIS INC DocuSigned by:

By: David Fischel

DAVID FISCHEL, CEO of STEREOTAXIS INC

Exhibit 31.1

Certification of Principal Executive Officer

I, David L. Fischel, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 11, 2020

/s/ David L. Fischel

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

Exhibit 31.2

Certification of Principal Financial Officer

I, Kimberly R. Peery, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 11, 2020

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

Exhibit 32.1

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

In connection with the quarterly report of Stereotaxis, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David L. Fischel, Chief Executive Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

Date: May 11, 2020

/s/ David L. Fischel
David L. Fischel
Chief Executive Officer
Stereotaxis, Inc.

Exhibit 32.2

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

In connection with the quarterly report of Stereotaxis, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kimberly R. Peery, Chief Financial Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

Date: May 11, 2020

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