Table of Contents

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

FORM 10-Q

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

For the quarterly period ended March 31, 2011.

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

For the transition period from _____ to _____.

Commission File Number: 000-50884

STEREOTAXIS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**94-3120386**
(State of Incorporation)	**(I.R.S. employer identification no.)**
4320 Forest Park Avenue Suite 100 St. Louis, Missouri	**63108**
(Address of principal executive offices)	**(Zip Code)**

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Registration S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☐ No

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The number of outstanding shares of the registrant's common stock on April 29, 2011 was 55,337,295.

Table of Contents

STEREOTAXIS, INC.
INDEX TO FORM 10-Q

ITEM 1. FINANCIAL STATEMENTS

STEREOTAXIS, INC.
BALANCE SHEETS

	March 31, 2011 (Unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 30,394,919	$ 35,248,819
Accounts receivable, net of allowance of $377,147 and $367,536 in 2011 and 2010, respectively	13,216,666	13,915,569
Current portion of long-term receivables	30,800	30,800
Inventories	6,042,337	5,441,475
Prepaid expenses and other current assets	4,390,171	4,557,718
Total current assets	54,074,893	59,194,381
Property and equipment, net	3,814,995	3,840,622
Intangible assets, net	2,504,028	2,578,986
Long-term receivables	111,270	109,266
Other assets	43,789	38,537
Total assets	$ 60,548,975	$ 65,761,792
Liabilities and stockholders' equity		
Current liabilities:		
Short-term debt and current maturities of long-term debt	$ 26,499,626	$ 20,894,091
Accounts payable	7,365,096	8,796,182
Accrued liabilities	7,659,186	6,966,571
Deferred revenue	6,253,875	6,600,313
Warrants	3,521,452	3,541,798
Total current liabilities	51,299,235	46,798,955
Long-term debt, less current maturities	7,000,000	8,000,000
Long-term deferred revenue	408,881	478,850
Other liabilities	5,972	8,741
Stockholders' equity:		
Preferred stock, par value $0.001; 10,000,000 shares authorized at 2011 and 2010, none outstanding at 2011 and 2010	—	—
Common stock, par value $0.001; 100,000,000 shares authorized at 2011 and 2010, 55,326,172 and 54,746,240 shares issued at 2011 and 2010, respectively	55,326	54,746
Additional paid in capital	354,911,764	354,002,770
Treasury stock, 40,151 shares at 2011 and 2010	(205,999)	(205,999)
Accumulated deficit	(352,926,204)	(343,376,271)
Total stockholders' equity	1,834,887	10,475,246
Total liabilities and stockholders' equity	$ 60,548,975	$ 65,761,792

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2011	2010
Revenue:		
Systems	$ 4,288,176	$ 5,233,755
Disposables, service and accessories	5,936,528	5,382,854
Total revenue	10,224,704	10,616,609
Cost of revenue:		
Systems	2,184,478	2,076,717
Disposables, service and accessories	820,501	843,953
Total cost of revenue	3,004,979	2,920,670
Gross margin	7,219,725	7,695,939
Operating expenses:		
Research and development	3,394,259	3,369,538
Sales and marketing	8,338,336	6,695,117
General and administrative	4,250,269	3,890,336
Total operating expenses	15,982,864	13,954,991
Operating loss	(8,763,139)	(6,259,052)
Other income (expense)	20,346	(1,537,169)
Interest income	3,187	2,782
Interest expense	(810,327)	(633,118)
Net loss	$ (9,549,933)	$ (8,426,557)
Net loss per common share:		
Basic and diluted	$ (0.17)	$ (0.17)
Weighted average shares used in computing net loss per common share:		
Basic and diluted	54,719,677	49,621,318

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2011	2010
Cash flows from operating activities		
Net loss	$ (9,549,933)	$ (8,426,557)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	358,584	503,914
Amortization	74,958	33,334
Amortization of warrants	328,327	339,270
Share-based compensation	818,361	98,387
Loss on asset disposal	—	4,556
Non-cash expense net of non-cash royalty (income)	(796,995)	(857,125)
Warrant adjustment	(20,346)	1,537,169
Changes in operating assets and liabilities:		
Accounts receivable	698,903	571,713
Other receivables	(2,004)	10,679
Inventories	(600,862)	(573,783)
Prepaid expenses and other current assets	(160,780)	(98,371)
Other assets	(5,251)	—
Accounts payable	(1,431,086)	1,156,342
Accrued liabilities	692,615	(1,191,917)
Deferred revenue	(416,407)	803,446
Other liabilities	(2,770)	(3,281)
Net cash used in operating activities	(10,014,686)	(6,092,224)
Cash flows from investing activities		
Purchase of equipment	(332,957)	(265,496)
Net cash used in investing activities	(332,957)	(265,496)
Cash flows from financing activities		
Proceeds from revolving line of credit	17,100,000	10,000,000
Payments of revolving line of credit	(11,000,000)	(10,166,667)
Payments of long-term debt	(697,470)	—
Proceeds from issuance of stock and warrants, net of issuance costs	91,213	490,816
Net cash provided by financing activities	5,493,743	324,149
Net decrease in cash and cash equivalents	(4,853,900)	(6,033,571)
Cash and cash equivalents at beginning of period	35,248,819	30,546,550
Cash and cash equivalents at end of period	$ 30,394,919	$ 24,512,979

See accompanying notes.

STEREOTAXIS, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Notes to Financial Statements

1. Basis of Presentation

The accompanying unaudited financial statements of Stereotaxis, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all the disclosures required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, they include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. Operating results for the three month period ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ended December 31, 2011 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, 2010 as filed with the SEC on March 11, 2011.

2. Summary of Significant Accounting Policies

Revenue and Costs of Revenue

For arrangements with multiple deliverables, the Company allocates the total revenue to each deliverable based on the provisions of general accounting principles for revenue recognition and multiple-deliverable revenue arrangements and recognizes revenue for each separate element as the criteria for revenue recognition are met. Each element is assigned an estimated selling price using vendor-specific objective evidence, third party evidence, or management's estimate.

Under our revenue recognition policy, a portion of revenue for NIOBE®, ODYSSEY™ VISION, and CINEMA systems is recognized upon delivery, provided that title has passed, there are no uncertainties regarding acceptance, persuasive evidence of an arrangement exists, the sales price is fixed and determinable, and collection of the related receivable is reasonably assured. Revenue is recognized for other types of ODYSSEY systems upon completion of installation, since there are no qualified third party installers. We may deliver systems to a non-hospital site at the customer's request. We evaluate whether delivery has occurred considering general accounting principles for revenue recognition with respect to "bill and hold" transactions. Amounts collected prior to satisfying the above revenue recognition criteria are reflected as deferred revenue.

Revenue from services and license fees, whether sold individually or as a separate unit of accounting in a multiple-deliverable arrangement, is deferred and amortized over the service or license fee period, which is typically one year. Revenue from services is derived primarily from the sale of annual product maintenance plans. We recognize revenue from disposable device sales or accessories upon shipment and establish an appropriate reserve for returns. The return reserve, which is applicable only to disposable devices, is estimated based on historical experience which is periodically reviewed and updated as necessary. In the past, changes in estimate have had only a de minimus effect on revenue recognized in the period. We believe that the estimate is not likely to change significantly in the future.

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.

Net Loss per Common Share

Basic and diluted net loss per common share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. The largest adjustment between the shares outstanding at March 31, 2011 and the weighted average shares used for calculating basic earnings per share for the quarter ended March 31, 2011 is the deduction of unvested restricted shares, which amounted to 571,910 at March 31, 2011.

STEREOTAXIS, INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Unaudited)

In addition, the Company did not include any portion of unearned restricted shares, outstanding options, stock appreciation rights or warrants 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 because the Company's unearned restricted shares do not contractually participate in its losses.

As of March 31, 2011, the Company had 6,174,869 shares of common stock issuable upon the exercise of outstanding options and stock appreciation rights at a weighted average exercise price of $5.16 per share and 10,381,613 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $4.20 per share. The Company had a weighted average of 292,363 unearned restricted shares outstanding for the three months ended March 31, 2011.

Fair Value Measurements

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

The Company's financial assets consist of cash equivalents invested in money market funds in the amount of $9,046,564 and $12,238,932 at March 31, 2011 and December 31, 2010, respectively. These assets are classified as Level 1 as described above and total interest income recorded for these investments was approximately $1,200 during the three months ended March 31, 2011. There were no transfers in or out of Level 1 during the three months ended March 31, 2011.

The Company's financial liabilities consist of warrants in the amount of $3,521,452 at March 31, 2011. These liabilities are classified as Level 3 as described above and are measured using the Black-Scholes valuation model. The mark-to-market adjustment recorded in other income (expense) for these warrants was $20,346 during the three months ended March 31, 2011. There were no purchases, sales, issuances, transfers, or settlements of Level 3 financial instruments during the three months ended March 31, 2011. These warrants were transferred into Level 3 on January 1, 2009 based on the adoption of general accounting principles for determining whether an instrument (or embedded feature) is indexed to an entity's own stock. See Note 11 for additional details.

Fair Value – Other Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for other financial instruments as of March 31, 2011 and December 31, 2010.

Cash and cash equivalents, accounts receivable, accounts payable and accrued expenses have carrying values which approximate fair value due to the short maturity or the financial nature of these instruments.

Long and short-term debt fair value estimates are based on estimated borrowing rates to discount the cash flows to their present value. See Note 9 for disclosure of the fair value of debt.

Share-Based Compensation

The Company accounts for its grants of stock options, stock appreciation rights and restricted shares 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. Compensation expense is recognized only for those awards expected to vest, with forfeitures estimated based on the Company's historical experience and future expectations. Restricted shares granted to employees are valued at the fair market value at the date of grant. The Company amortizes the amount to expense over the service period on a straight-line basis. If the shares are subject to performance objectives, the resulting compensation expense is amortized over the anticipated vesting period and is subject to adjustment based on the actual achievement of objectives.

STEREOTAXIS, INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standard setting bodies that are adopted by the Company as of the specified effective date. We believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

3. Inventory

Inventory consists of the following:

	March 31, 2011	December 31, 2010
Raw materials	$2,232,681	$1,547,020
Work in process	526,574	592,221
Finished goods	3,791,144	3,841,752
Reserve for obsolescence	(508,062)	(539,518)
Total inventory	$6,042,337	$5,441,475

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	March 31, 2011	December 31, 2010
Prepaid expenses	$ 601,108	$ 401,789
Deferred cost of revenue	515,912	759,271
Other assets	3,273,151	3,396,658
Total prepaid expenses and other current assets	$4,390,171	$4,557,718

Deferred cost of revenue represents the cost of systems for which title has transferred from the Company but for which revenue has not been recognized.

STEREOTAXIS, INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Unaudited)

5. Property and Equipment

Property and equipment consist of the following:

	March 31, 2011	December 31, 2010
Equipment	$ 9,277,274	$ 8,950,043
Equipment held for lease	547,416	547,416
Leasehold improvements	2,473,880	2,473,880
	12,298,570	11,971,339
Less: Accumulated depreciation	(8,483,575)	(8,130,717)
Net property and equipment	$ 3,814,995	$ 3,840,622

6. Intangible Assets

On June 4, 2010, the Company entered into an agreement to issue 450,000 shares of its common stock to a consultant (the "Purchaser") in exchange for intellectual property rights related to the Company's products. The Company issued 200,000 shares upon execution of the agreement and will issue an aggregate of 250,000 shares in annual installments on the first three anniversaries of the agreement. The unissued shares meet the criteria for equity classification under Accounting Standards Codification 480 Distinguishing Liabilities from Equity and therefore are recorded in additional paid-in capital. There was no cash consideration paid for the securities. The securities were issued in consideration of the assignment to the Company of the Purchaser's rights in certain intellectual property, including patent applications, in all inventions and discoveries in the Company's business field (as defined in the agreement) that had been developed under various other agreements, which were terminated. The securities were sold by the Company in a private placement exempt from registration under Section 4(2) of the Securities Act of 1933 and Regulation D promulgated thereunder. There were no underwriters or placement agents involved in the transaction. As of March 31, 2011, the Company had intangible assets of $3.7 million. Accumulated amortization at March 31, 2011 is $1.2 million.

7. Accrued Liabilities

Accrued liabilities consist of the following:

	March 31, 2011	December 31, 2010
Accrued salaries, bonus, and benefits	$4,583,063	$4,203,551
Accrued research and development	412,113	246,119
Accrued legal and other professional fees	85,099	170,498
Other	2,578,911	2,346,403
Total accrued liabilities	$7,659,186	$6,966,571

8. Deferred Revenue

Deferred revenue consists of the following:

	March 31, 2011	December 31, 2010
Product shipped, revenue deferred	$ 446,082	$ 552,692
Customer deposits	137,700	312,154
Deferred service and license fees	6,078,974	6,214,317
	6,662,756	7,079,163
Less: Long-term deferred revenue	(408,881)	(478,850)
Total current deferred revenue	$6,253,875	$6,600,313

9. Long-Term Debt and Credit Facilities

Debt outstanding consists of the following:

	March 31, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Revolving credit agreement, due March 2012	$ 17,100,000	$ 17,443,602	$ 11,000,000	$ 11,284,412
Term note, due December 2013	10,000,000	10,000,000	10,000,000	10,000,000
Biosense Webster Advance	6,399,626	6,479,113	7,894,091	8,005,365
Total debt	33,499,626	33,922,715	28,894,091	29,289,777
Less current maturities	(26,499,626)	(26,922,715)	(20,894,091)	(21,289,777)
Total long term debt	$ 7,000,000	$ 7,000,000	$ 8,000,000	$ 8,000,000

STEREOTAXIS, INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Revolving line of credit

In December 2010, the Company amended its agreement with its primary lender to extend the maturity of the current working capital line of credit from March 31, 2011 to March 31, 2012, retaining the $30 million total availability under the line per the 2009 amendment. The revised agreement retained the $10 million sublimit for borrowings supported by guarantees from stockholders who are affiliates of two members of its board of directors ("Lenders") and considered to be related parties. Under the revised facility the Company is required to maintain a minimum "tangible net worth" and liquidity ratio as defined in the agreement. Interest on the facility accrues at the rate of prime plus 0.5% subject to a floor of 6% for the amount under guarantee and prime plus 1.75% subject to a floor of 7% for the remaining amounts.

As of March 31, 2011, the Company had $17.1 million outstanding under the revolving line of credit and a current borrowing capacity of $19.5 million based on the Company's collateralized assets, including amounts already drawn. As such, the Company had the ability to borrow an additional $2.4 million under the revolving line of credit at March 31, 2011. As of March 31, 2011, the Company was in compliance with all covenants of the bank loan agreement and had no remaining availability on its Lender loan and guarantee.

The Revolving Credit Agreement and the Company's term notes (collectively, the "Credit Agreements") are secured by substantially all of the Company's assets. The Company is also required under the Credit Agreements to maintain its primary operating account and the majority of its cash and investment balances in accounts with the primary lender.

Term note

Under the 2010 amendment to the loan agreement, the Company entered into a $10 million term loan maturing on December 31, 2013 with $2 million of principal due in 2011 and $4 million of principal due in each of 2012 and 2013. Interest on the term loan accrues at the rate of prime plus 3.5%.

Biosense Webster Advance

In July 2008, the Company and Biosense Webster entered into an amendment to their existing agreements relating to the development and sale of catheters. Pursuant to the amendment, Biosense Webster agreed to pay to the Company $10.0 million as an advance on royalty amounts that were owed at the time the amendment was executed or would be owed in the future by Biosense Webster to the Company pursuant to the royalty provisions of one of the existing agreements. The Company and Biosense Webster also agreed that an aggregate of up to $8.0 million of certain agreed upon research and development expenses that were owed at the time the amendment was executed or may be owed in the future by the Company to Biosense Webster pursuant to the existing agreement would be deferred and will be due, together with any unrecouped portion of the $10.0 million royalty advance, on the Final Payment Date (as defined below). Interest on the outstanding and unrecouped amounts of the royalty advance and deferred research and development expenses will accrue at an interest rate of the prime rate plus 0.75%. Outstanding royalty advances and deferred research and development expenses and accrued interest thereon will be recouped by Biosense Webster by deductions from royalty amounts otherwise owed to the Company from Biosense Webster pursuant to the existing agreement. The Company has the right to prepay any amounts due pursuant to the Amendment at any time without penalty. Approximately $18.0 million had been advanced by Biosense Webster to the Company pursuant to the amendment. As of March 31, 2011, $10.8 million of royalty payments owed by Biosense and $2.8 million in supplemental payments had been used to reduce the advances together with the accrued interest thereon and the remaining approximately $6.4 million of amounts owed to Biosense Webster has been classified as short-term debt in the accompanying balance sheet. The Company recorded research and development expenses of $0.1 million and disposables, service and accessories revenue of $0.9 million for the three months ended March 31, 2010, related to this agreement.

All funds owed by the Company to Biosense Webster must be repaid on the sooner of December 31, 2011 or the date of an Accelerating Recoupment Event as defined below (the "Final Payment Date"). Commencing on May 15, 2010 the Company is required to make quarterly payments (the "Supplemental Payments") to Biosense Webster equal to the difference between the aggregate royalty payments recouped by Biosense Webster from the Company (other than royalty amounts attributable to Biosense Webster's sales of irrigated catheters) in such quarter and $1 million, until the earlier of (1) the date all funds owed by the Company to Biosense Webster pursuant to the Amendment are fully repaid or (2) the Final Payment Date. An "Accelerating Recoupment Event" means any of the following: (i) the closing of any equity-based registered public financing transaction or in the event of convertible debt, the conversion of such debt into equity which raises at least $50 million for the Company; (ii) the failure of the Company to make any Supplemental Payment; or (iii) a change of control of the Company (as defined in the amendment).

STEREOTAXIS, INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Unaudited)

10. Stockholders' Equity

Stock Award Plans

The Company has various stock plans that permit the Company to provide incentives to employees and directors of the Company in the form of equity compensation that are described in both the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and the Company's definitive Proxy Statement on Schedule 14A filed with the SEC on April 15, 2011. At March 31, 2011, the Board of Directors had reserved a total of 6,940,752 shares of the Company's common stock to provide for current and future grants under its various equity plans.

At March 31, 2011, 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 $7.5 million, net of estimated forfeitures of approximately $1.6 million. This cost will be amortized over a period of up to four years on a straight-line basis over the underlying estimated service periods and will be adjusted for subsequent changes in estimated forfeitures and anticipated vesting periods.

A summary of the option and stock appreciation rights activity for the three months ended March 31, 2011 is as follows:

	Number of Options/SARs	Range of Exercise Price	Weighted Average Exercise Price per Share
Outstanding, December 31, 2010	4,711,082	$1.37 - $12.55	$ 5.80
Granted	1,618,100	$3.42 - $3.77	$ 3.53
Exercised	(4,031)	$1.37 - $1.62	$ 1.52
Forfeited	(177,282)	$1.37 - $12.03	$ 7.42
Outstanding, March 31, 2011	6,147,869	$1.62 - $12.55	$ 5.16

A summary of the restricted share grant activity for the three months ended March 31, 2011 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value per Share
Outstanding, December 31, 2010	33,514	$ 8.19
Granted	569,000	$ 3.52
Vested	(13,885)	$ 9.01
Forfeited	(16,719)	$ 3.91
Outstanding, March 31, 2011	571,910	$ 3.65

A summary of the restricted stock outstanding as of March 31, 2011 is as follows:

	Number of Shares
Time based restricted shares	224,510
Performance based restricted shares	347,400
Outstanding, March 31, 2011	571,910

11. Warrants Liability

The Company currently does not have derivative instruments to manage its exposure to currency fluctuations or other business risks. The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. All derivative financial instruments are recognized in the balance sheet at fair value.

STEREOTAXIS, INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Unaudited)

In conjunction with its December 29, 2008 registered direct offering, the Company issued warrants to purchase 1,792,408 shares of the Company's common stock that contained a provision that required a reduction of the exercise price if certain equity events occurred. Under the provisions of general accounting principles for derivatives and hedging activities and determining whether an instrument (or embedded feature) is indexed to an entity's own stock, such a reset provision does not meet the exemptions for equity classification and as such, the Company accounts for these warrants as derivative instruments. The calculated fair value of the warrants is classified as a liability and is periodically remeasured with any changes in value recognized in "Other income (expense)" in the Statement of Operations. General accounting principles for determining whether an instrument (or embedded feature) is indexed to an entity's own stock became effective for the Company as of January 1, 2009. Accordingly, the fair value of the warrants as of that date was reclassified from stockholders' equity into current liabilities.

In accordance with general accounting principles for fair value measurement, the Company's warrants in the amount of $3,521,452 were measured at fair value on a recurring basis as of March 31, 2011 and were valued using Level 3 valuation inputs. A Black-Scholes model was used to value the Company's warrants at March 31, 2011 using the following assumptions: 1) dividend yield of 0%; 2) volatility of 65%; 3) risk-free interest rate of 1.29%; and 4) expected life of 3.25 years. The fair value of the outstanding derivative instrument and the effect on the Statement of Operations is as follows:

	Fair Value of Warrants
Balance, December 31, 2010	$3,541,798
Change in fair value	(20,346)
Balance, March 31, 2011	$3,521,452

12. Product Warranty Provisions

The Company's standard policy is to warrant all NIOBE and ODYSSEY 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, 2011
Warranty accrual, December 31, 2010	$ 469,837
Warranty expense incurred	107,840
Payments made	(117,006)
Warranty accrual, March 31, 2011	$ 460,671

13. 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.

14. Subsequent Events

In May 2011, the Company entered into a new strategic collaboration with Biosense Webster. Under the new agreement, the Company has granted Biosense Webster global, non-exclusive rights to resell Stereotaxis' Odyssey products, including Odyssey Vision and Odyssey Cinema.

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

The following discussion and analysis should be read in conjunction with our financial statements and notes thereto included in this report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2010. 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 Item 1A "Risk Factors" and in our Annual Report on Form 10-K for the year ended December 31, 2010. Forward-looking statements discuss matters that are not historical facts and include, but are not limited to, discussions regarding our operating strategy, sales and marketing strategy, regulatory strategy, industry, economic conditions, financial condition, liquidity and capital resources and results of operations. Such statements include, but are not limited to, statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "estimates," "projects," "can," "could," "may," "will," "would," or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You should not unduly rely on these forward-looking statements, which speak only as of the date on which they were made. They give our expectations regarding the future, but are not guarantees. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Overview

Stereotaxis designs, manufactures and markets an advanced cardiology instrument control system for use in a hospital's interventional surgical suite to enhance the treatment of arrhythmias and coronary artery disease. The NIOBE® 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.

In addition to the NIOBE system and its components, Stereotaxis also has developed the Odyssey™ Enterprise Solution which consolidates all lab information enabling doctors to focus on the patient for optimal procedure efficiency. The system also features a remote viewing and recording capability called Odyssey Enterprise 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 core components of the NIOBE and the Odyssey systems have received regulatory clearance in the U.S., Canada, Europe, China and various other countries.

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, 2010.

Revenue Recognition

For arrangements with multiple deliverables, the Company allocates the total revenue to each deliverable based on the provisions of general accounting principles for revenue recognition and multiple-deliverable revenue arrangements and recognizes revenue for each separate element as the criteria for revenue recognition are met. Each element is assigned an estimated selling price using vendor-specific objective evidence, third party evidence, or management's estimate.

Under our revenue recognition policy, a portion of revenue for NIOBE®, ODYSSEY™ VISION, and CINEMA systems is recognized upon delivery, provided that title has passed, there are no uncertainties regarding acceptance, persuasive evidence of an arrangement exists, the sales price is fixed and determinable, and collection of the related receivable is reasonably assured. Revenue is recognized for other types of Odyssey systems upon completion of installation, since there are no qualified third party installers. When installation is the responsibility of the customer, revenue from system sales is recognized upon shipment since these arrangements do not include an installation element or right of return privileges. We may deliver systems to a non-hospital site at the customer's request. We evaluate whether delivery has occurred considering general accounting principles for revenue recognition with respect to "bill and hold" transactions. Amounts collected prior to satisfying the above revenue recognition criteria are reflected as deferred revenue.

Revenue from services and license fees, whether sold individually or as a separate unit of accounting in a multiple-deliverable arrangement, is deferred and amortized over the service or license fee period, which is typically one year. Revenue from services is derived primarily from the sale of annual product maintenance plans. We recognize revenue from disposable device sales or accessories upon shipment and establish an appropriate reserve for returns. The return reserve, which is applicable only to disposable devices, is estimated based on historical experience which is periodically reviewed and updated as necessary. In the past, changes in estimate have had only a de minimus effect on revenue recognized in the period. We believe that the estimate is not likely to change significantly in the future.

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 are recorded at the time of sale. Cost of revenue from services and license fees are recorded when incurred.

Results of Operations

Comparison of the Three Months Ended March 31, 2011 and 2010

Revenue. Revenue decreased from $10.6 million for the three months ended March 31, 2010 to $10.2 million for the three months ended March 31, 2011, a decrease of approximately 4%. Revenue from the sale of systems decreased from $5.2 million to $4.3 million, a decrease of approximately 18%, primarily due to a decrease in the number of NIOBE systems sold. We recognized revenue on one NIOBE system and a total of $2.7 million for ODYSSEY and CINEMA systems during the 2011 period, versus four NIOBE systems and a total of $0.8 million for ODYSSEY and CINEMA systems during the 2010 period. Revenue from sales of disposable interventional devices, service and accessories increased to $5.9 million for the three months ended March 31, 2011 from $5.4 million for the three months ended March 31, 2010, an increase of approximately 10%. The increase was attributable to the increased base of installed systems, the resulting disposable sales and service contracts, as well as favorable pricing.

Cost of Revenue. Cost of revenue increased from $2.9 million for the three months ended March 31, 2010 to $3.0 million for the three months ended March 31, 2011, an increase of approximately 3%. Cost of revenue for systems sold increased from $2.1 million for the three months ended March 31, 2010 to $2.2 million for the three months ended March 31, 2011. This increase was primarily due to an increase in ODYSSEY systems sold partially offset by a decrease in the number of NIOBE systems sold. Cost of revenue for disposables, service and accessories remained constant at $0.8 million for the three months ended March 31, 2010 and 2011. As a percentage of our total revenue, overall gross margin decreased to 71% for the three months ended March 31, 2011. Gross margin for systems was 49% for the three months ended March 31, 2011 compared to 60% for the three months ended March 31, 2010. The decrease was primarily due to a change in product mix from NIOBE to ODYSSEY systems. Gross margin for disposables, service and accessories was 86% for the current quarter compared to 84% for the three months ended March 31, 2010 due to decreased costs on disposables.

Research and Development Expenses. Research and development expenses remained constant at $3.4 million for the three months ended March 31, 2010 and 2011.

Sales and Marketing Expenses. Sales and marketing expenses increased from $6.7 million for the three months ended March 31, 2010 to $8.3 million for the three months ended March 31, 2011, an increase of approximately 25%. The increase was primarily due to increased headcount to support and increase utilization rates worldwide.

General and Administrative Expenses. General and administrative expenses include regulatory, clinical, general management and training expenses. General and administrative expenses increased to $4.3 million from $3.9 million for the three months ended March 31, 2011 and 2010, respectively, an increase of approximately 9%. This increase was primarily due to increased headcount and training programs to drive utilization.

Other Income (Expense). Other income (expense) represents the change in market value of certain warrants classified as a derivative and recorded as a current liability under general accounting principles for determining whether an instrument (or embedded feature) is indexed to an entity's own stock.

Interest Income. Interest income remained consistent at less than $0.1 million for the three months ended March 31, 2011 and 2010. There was a slight increase in the balance from the prior year period due to higher invested balances.

Interest Expense. Interest expense increased to $0.8 million for the three months ended March 31, 2011 from $0.6 million for the three months ended March 31, 2010, primarily due to higher average balances outstanding.

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. At March 31, 2011 we had $30.4 million of cash and equivalents. We had working capital of approximately $2.8 million and $12.4 million as of March 31, 2011 and December 31, 2010, respectively. The decrease in working capital is due principally to the $10.0 million use of cash from operating activities.

The following table summarizes our cash flow by operating, investing and financing activities for each of three month periods ended March 31, 2011 and 2010 (in thousands):

	Three Months Ended March 31,	
	2011	2010
Cash Flow used in Operating Activities	$(10,015)	$(6,092)
Cash Flow used in Investing Activities	$ (333)	$ (265)
Cash Flow provided by Financing Activities	$ 5,494	$ 324

Net cash used in operating activities. We used approximately $10.0 million and $6.1 million of cash for operating activities during the three months ended March 31, 2011 and 2010, respectively. This increase was driven by increased usage of cash for operating assets and liabilities, as well as an increase in the net loss of $1.1 million.

Net cash used in investing activities. We used approximately $0.3 million of cash for purchases of equipment during each of the quarters ended March 31, 2011 and 2010.

Net cash provided by financing activities. We generated approximately $5.5 million of cash for the three month period ended March 31, 2011 compared $0.3 million generated for the three month period ended March 31, 2010. This increase in cash generated was primarily due to net additional borrowings against our line of credit.

Borrowing facilities

In December 2010, the Company amended its loan agreement with our primary lender to extend the maturity of the current working capital line of credit from March 31, 2011 to March 31, 2012. The amendment retains the $30 million total availability under the line. The revised agreement retained the $10 million sublimit for borrowings supported by guarantees from stockholders who are affiliates of two members of its board of directors ("Lenders") and considered to be related parties. Under the revised facility, we are required to maintain a minimum "tangible net worth" and liquidity ratio as defined in the agreement. Interest on the facility accrues at the rate of prime plus 0.5% subject to a floor of 6% for the amount under guarantee and prime plus 1.75% subject to a floor of 7% for the remaining amounts.

As of March 31, 2011, the Company had $17.1 million outstanding under the revolving line of credit and a current borrowing capacity of $19.5 million based on the Company's collateralized assets, including amounts already drawn. As such, the Company had the ability to borrow an additional $2.4 million under the revolving line of credit at March 31, 2011. As of March 31, 2011, the Company was in compliance with all covenants of the bank loan agreement and had no remaining availability on its Lender loan and guarantee.

The Revolving Credit Agreement and the Company's term notes (collectively, the "Credit Agreements") are secured by substantially all of the Company's assets. The Company is also required under the Credit Agreements to maintain its primary operating account and the majority of its cash and investment balances in accounts with the primary lender.

Under the 2010 amendment to the loan agreement, the Company entered into a $10 million term loan maturing on December 31, 2013 with $2 million of principal due in 2011 and $4 million of principal due in each of 2012 and 2013. Interest on the term loan accrues at the rate of prime plus 3.5%. Under this agreement, the Company provided its primary lender with warrants to purchase 111,111 shares of common stock. The warrants are exercisable at $3.60 per share, beginning on December 17, 2010 and expiring on December 17, 2015. The fair value of these warrants of $228,332, calculated using the Black Scholes method, will be deferred and amortized to interest expense ratably over the life of the term loan.

In July 2008, the Company and Biosense Webster entered into an amendment to their existing agreements relating to the development and sale of catheters. Pursuant to the amendment, Biosense Webster agreed to pay to the Company $10.0 million as an advance on royalty amounts that were owed at the time the amendment was executed or would be owed in the future by Biosense Webster to the Company pursuant to the royalty provisions of one of the existing agreements. The Company and Biosense Webster also agreed that an aggregate of up to $8.0 million of certain agreed upon research and development expenses that were owed at the time the amendment was executed or may be owed in the future by the Company to Biosense Webster pursuant to the existing agreement would be deferred and will be due, together with any unrecouped portion of the $10.0 million royalty advance, on the Final Payment Date (as defined below). Interest on the outstanding and unrecouped amounts of the royalty advance and deferred research and development expenses will accrue at an interest rate of the prime rate plus 0.75%. Outstanding royalty advances and deferred research and development expenses and accrued interest thereon will be recouped by Biosense Webster by deductions from royalty amounts otherwise owed to the Company from Biosense Webster pursuant to the existing agreement. The Company has the right to prepay any amounts due pursuant to the Amendment at any time without penalty. Approximately $18.0 million had been advanced by Biosense Webster to the Company pursuant to the amendment. As of March 31, 2011, $10.8 million of royalty payments owed by Biosense and $2.8 million in supplemental payments had been used to reduce the advances together with the accrued interest thereon and the remaining approximately $6.4 million of amounts owed to Biosense Webster has been classified as short-term debt in the accompanying balance sheet. The Company recorded research and development expenses of $0.1 million and disposables, service and accessories revenue of $0.9 million for the three months ended March 31, 2011, related to this agreement.

All funds owed by the Company to Biosense Webster must be repaid on the sooner of December 31, 2011 or the date of an Accelerating Recoupment Event as defined below (the "Final Payment Date"). Commencing on May 15, 2010 the Company is required to make quarterly payments (the "Supplemental Payments") to Biosense Webster equal to the difference between the aggregate royalty payments recouped by Biosense Webster from the Company (other than royalty amounts attributable to Biosense Webster's sales of irrigated catheters) in such quarter and $1 million, until the earlier of (1) the date all funds owed by the Company to Biosense Webster pursuant to the Amendment are fully repaid or (2) the Final Payment Date. An "Accelerating Recoupment Event" means any of the following: (i) the closing of any equity-based registered public financing transaction or in the event of convertible debt, the conversion of such debt into equity which raises at least $50 million for the Company; (ii) the failure of the Company to make any Supplemental Payment; or (iii) a change of control of the Company (as defined in the amendment).

Cash flow

We expect to have negative cash flow from operations in 2011. Throughout 2011, we expect to continue the development and commercialization of our existing products and, to a lesser extent, our research and development programs and the advancement of new products into clinical development. We expect that our sales and marketing expenditures and our general and administrative expenses will increase in 2011 in order to support our product commercialization efforts. Until we can generate significant cash flow from our operations, we expect to continue to fund our operations with existing cash resources that were primarily generated from the proceeds of our public offerings, private sales of our equity securities and working capital and equipment financing loans. In the future, we may finance future cash needs through the sale of other equity securities, strategic collaboration agreements and debt financings. We cannot accurately predict the timing and amount of our utilization of capital, which will depend on a number of factors outside of our control.

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

Off-Balance Sheet Arrangements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

We operate mainly in the U.S., Europe and Asia and we expect to continue to sell our products both within and outside of the U.S. Although the majority of our revenue and expenses are transacted in U.S. dollars, a portion of our activities are conducted in Euros and to a lesser extent, in other currencies. As such, we have foreign exchange exposure with respect to non-U.S. dollar revenues and expenses as well as cash balances, accounts receivable and accounts payable balances denominated in non-US dollar currencies. Our international activities are subject to risks typical of international activities, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Future fluctuations in the value of these currencies may affect the price competitiveness of our products. In addition, because we have a relatively long installation cycle for our systems, we will be subject to risk of currency fluctuations between the time we execute a purchase order and the time we deliver the system and collect payments under the order, which could adversely affect our operating margins. As of March 31, 2011 we have not hedged exposures in foreign currencies or entered into any other derivative instruments.

For the three months ended March 31, 2011, sales denominated in foreign currencies were approximately 18% of total revenue and as such, our revenue would have decreased by approximately $0.2 million if the U.S. dollar exchange rate used would have strengthened by 10%. For the three months ended March 31, 2011, expenses denominated in foreign currencies were approximately 13% of our total expenses and as such, our operating expenses would have decreased by approximately $0.2 million if the U.S. dollar exchange rate used would have strengthened by 10%. In addition, we have assets and liabilities denominated in foreign currencies. A 10% strengthening of the U.S. dollar exchange rate against all currencies with which we have exposure at March 31, 2011 would have decreased the carrying amounts of those net assets by approximately $0.5 million.

Interest Rate Risk

We have exposure to interest rate risk related to our investment portfolio. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our invested cash without significantly increasing the risk of loss. Our interest income is sensitive to changes in the general level of U.S. interest rates. When appropriate, we invest our excess cash primarily in U.S. government securities and marketable debt securities of financial institutions and corporations with strong credit ratings. These instruments generally have maturities of two years or less when acquired. We do not utilize derivative financial instruments, derivative commodity instruments or other market risk sensitive instruments, positions or transactions. Accordingly, we believe that while the instruments we typically purchase are subject to changes in the financial standing of the issuer of such securities, we are not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive instruments.

We have exposure to market risk related to any investments we might hold. Market liquidity issues might make it impossible for the Company to liquidate its holdings or require that the Company sell the securities at a substantial loss. As of March 31, 2011, the Company did not hold any investments.

We have exposure to interest rate risk related to our borrowings as the interest rates for certain of our outstanding loans are subject to increase should the interest rate increase above a defined percentage. Because certain of our outstanding debt is subject to minimum interest rates ranging from 5.75% to 7.0%, a hypothetical increase in interest rates of 100 basis points would have resulted in a less than $0.1 million increase in interest expense for the quarter ended March 31, 2011.

Inflation Risk

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

STEREOTAXIS, INC.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

Our Risk Factors are discussed in our Annual Report on Form 10-K for the year ended December 31, 2010.

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

Exhibits: See Exhibit Index herein

STEREOTAXIS, INC.

SIGNATURES

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

STEREOTAXIS, INC.
(Registrant)

Date: May 6, 2011

By: /s/ MICHAEL P. KAMINSKI
Michael P. Kaminski,
Chief Executive Officer

Date: May 6, 2011

By: /s/ DANIEL J. JOHNSTON
Daniel J. Johnston,
Chief Financial Officer

EXHIBIT INDEX

Number	Description
3.1(1)	Restated Certificate of Incorporation of the Company
3.2(1)	Restated Bylaws of the Company
10.1	Revised Annual Cash Compensation of Executive Officers (filed herewith).
10.2	Stereotaxis Advisory Board and Consulting Agreement, dated February 25, 2011, between the Company and Eric N. Prystowsky, MD (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).

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

Exhibit 10.1

Revised Annual Cash Compensation of Executive Officers

The named executive officers of Stereotaxis, Inc. (the "Company") have their base salaries determined yearly by the Compensation Committee (the "Committee") of the Board of Directors. The named executive officers are all "at will" employees, and each has a written employment agreement which is filed, as required, as an exhibit to reports filed by the Company under the Securities Exchange Act of 1934. On February 15, 2011, the Compensation Committee determined the 2011 base salaries for named executive officers of the Company and the payments to be made under the Company's 2010 bonus program (the "2010 Program") to the named executive officers, as set forth below. The 2010 Program was designed to reward the accomplishments of these officers on behalf of the Company in 2010 pursuant to and consistent with the objective of the Company's bonus plan, as determined by the Committee. The 2010 base salaries, 2010 bonuses, and 2011 base salaries are summarized in the following table:

	2010 Salary	2010 Bonus	2011 Salary
Douglas M. Bruce Chief Technology/Operations Officer	$ 320,000	$ 42,000	$ 325,000
Frank J. Cheng Senior Vice President, Marketing and Business Development	$ 275,000	$ 50,000	$ 285,000
David A. Giffin Vice President, Human Resources	$ 187,000	$ 25,000	$ 200,000
Daniel J. Johnston Chief Financial Officer	$ 320,000	$ 45,000	$ 325,000
Michael P. Kaminski President & Chief Executive Officer	$ 400,000	$ 52,000	$ 420,000

The Company intends to provide additional information regarding other compensation awarded to the named executive officers in respect of and during the 2010 fiscal year in the proxy statement for its 2011 annual meeting of stockholders, which is expected to be filed with the Securities and Exchange Commission in April 2011.

As determined by the Committee at the February 15, 2011 meeting, the 2011 annual bonus program will be based on management achieving certain levels of operating profit, new orders, revenue, electrophysiology procedures performed using Stereotaxis equipment, and the performance of the individual employee as it relates to strategic initiatives.

Eric N. Prystowsky, MD
STEREOTAXIS ADVISORY BOARD AND CONSULTING AGREEMENT

This Agreement is made by and between Stereotaxis, Inc., a Delaware corporation (hereinafter "Company"), with offices located at 4320 Forest Park Avenue, Suite 100, St. Louis, Missouri 63108, USA, and Eric N. Prystowsky, MD (hereinafter "Consultant"), with offices located at 958 Laurelwood, Carmel, IN 46032.

WHEREAS, Consultant is affiliated with St. Vincent's Health System (hereinafter "Institution") and is affiliated with Ascension Health Ventures (hereinafter "Ascension"). Consultant has been involved in medical research in fields of particular interest to the Company and has achieved recognition as an international leader in the field of cardiac electrophysiology. The Company wishes to retain Consultant in a consulting capacity and as a member of the Stereotaxis Advisory Board, and Consultant desires to perform such consulting services.

WHEREAS, the Company has developed and acquired substantial information and expertise in the Field of Interest, with or without the use of Company Technology, and will disclose to Consultant such information as Company deems appropriate about Company Technology to assist Consultant in developing ideas for the application of such Company Technology.

In consideration of the foregoing, and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties agree as follows:

1. **Definitions**.

1.1 Field of Interest means computer-controlled or assisted navigation and delivery systems for interventional disposable devices, with or without the use of magnetic devices or systems, and related interventional workstations, devices, and integrated information networks, used in or with interventional medical procedures.

1.2 Company Technology means all information, data, equipment, devices, inventions, discoveries, trade secrets, know-how, software, hardware, and associated intellectual property rights in the Field of Interest that are owned, developed, or licensed by Stereotaxis.

2. **Services**.

2.1 Consultant shall advise the Company's management, employees, and agents, at reasonable times, in matters related to computer-controlled or assisted navigation systems, devices, and therapies (hereinafter "Field of Interest"), as requested by the Company. In response to a request by an officer or duly appointed representative of the Company, Consultant shall provide consultation over the telephone, in person at Consultant's office, or through written correspondence. Such consultation will include reviewing activities and developments in the Field of Interest and advising on new products and applications for the Company Technology. In addition, Consultant shall, from time-to-time, make himself available in person at the Company's offices or other locations as agreed upon. The consulting services required under this Section 2.1 are described in greater detail on **Schedule 2.1**, incorporated herein by reference.

2.2 Consultant shall participate as a member and Chairman of the Stereotaxis Advisory Board (hereinafter, "Advisory Board") and use his best efforts to attend Advisory Board meetings, anticipated to be at least one (1) time per year.

3. **Consideration**.

3.1 In consideration for the consulting, advisory, development, and clinical research services provided by Consultant under Section 2 hereof, Consultant will be compensated as described below:

(a) The Company agrees to pay Consultant a cash stipend of US $28,800.00 per calendar quarter, in consideration of Consultant's provision of all services described in Section 2 hereof at the specific request of the Company, and shall be limited to such amount of time as the parties may agree in advance. Payment shall be made at the end of each calendar quarter for documented time spent during the three (3) months of that quarter. For purposes of this Agreement, services provided shall consist of at least 36.0 hours per calendar quarter. The Company shall not reimburse for time and/or services otherwise billable to insurance carriers or other third parties.

(i) In the event Consultant spends fewer than 36.0 hours per quarter, Consultant's remuneration shall be adjusted pro rata based on an hourly rate of US $800.00, and, upon payment for the applicable quarter, the Company shall inform Consultant, in writing (in accordance with Section 15), that the service requirements for the given period have not been met and pro rata adjustments have been made.

(ii) Documented time spent (Section 3.1(b)) for services provided in excess of 36.0 hours in a given calendar quarter may be carried forward toward remuneration in subsequent calendar quarters, as are appropriate.

(b) Consultant agrees to maintain a record of his days spent and activities performed pursuant to time sheets in substantially the form attached as Exhibit A to this Agreement (or other form, electronic or otherwise, that may be approved by the Company). Such time sheets shall be treated as invoices for payments due pursuant to this Section 3 and Company shall have no obligation to make payment unless and until Consultant shall have submitted his time sheet for the applicable calendar quarter. The Company shall not reimburse for time and/or services otherwise billable to insurance carriers or other third parties.

(c) The Company agrees to reimburse Consultant for reasonable and documented travel and related expenses actually incurred by Consultant and pre-approved in writing by the Company, in accordance with Stereotaxis standard expense reimbursement policies, as amended from time to time. Consultant shall also maintain records of his actual expenses incurred in connection with the performance of the services under the Agreement.

(d) Within thirty (30) days following the end of each calendar quarter, Consultant shall submit to Company his timesheets and expense reports, and the Company shall issue a check for the applicable amount within thirty (30) days following receipt of such reports or otherwise in accordance with the Company's standard payment cycle. The Company shall not reimburse for time and/or services otherwise billable to insurance carriers or other third parties.

3.2 Consultant acknowledges and agrees that the fees and expenses provided for above represent Company's full and complete obligation for any and all advisory and consulting services to be rendered, and expenses incurred, on behalf of the Company under this Agreement.

3.3 In the event that Consultant is requested to serve as a principal investigator of one or more of the Company's human clinical trials, Consultant acknowledges that, to the extent required by Title 21 Code of Federal Regulations Part 54, the Company will disclose all financial compensation to Consultant from the Company under this Agreement on a written Form 3454, which will be submitted by the Company to the Food and Drug Administration (FDA). Termination of this Agreement shall not modify the disclosure requirements specified in this section for relevant submissions to the FDA. Consultant's services as a principal investigator in any Company-sponsored clinical trials shall not be subject to this Agreement (other than this Section 3.3).

3.4 (a) The Company and Consultant acknowledge and agree that the consideration set forth in this Section 3 represents the fair market value for the services to be rendered under this Agreement, and no amount payable hereunder is intended to constitute a payment for the inducement of patient referrals, the purchase, lease, or order of any item or service, or the recommending or arranging for the purchase, lease, or order of any item or service.

(b) This Agreement shall be construed to the fullest extent possible to be in compliance with and permitted by all U.S., non-U.S., state, or other local laws, statutes, rules, and regulations. If a Triggering Event (as defined below) occurs after the date hereof, the parties agree that they shall amend this Agreement solely to the extent necessary to comply with the item giving rise to the Triggering Event, and in a manner that shall preserve the underlying economic and financial arrangements between the parties with the least changes to the parties' expectations hereunder. For purposes of this Section 3.4, a "Triggering Event" shall mean any U.S., state, or local governmental agency, or any other non-U.S. local governmental agency, or any court or administrative tribunal, passing, issuing, or promulgating any law, final rule, final regulation, or rendering from an evidentiary proceeding any order, decision, or judgment (including but not limited to those relating to any final regulations or administrative interpretations promulgated under applicable anti-kickback or self-referral statutes) which in the good faith and reasonable judgment of a party hereto materially and adversely affects such party's licensure or certification, ability to obtain any material benefit hereunder or under any payment program to which it is a party or ability to perform a material obligation hereunder, or renders this agreement unlawful. If the parties in good faith cannot agree on a necessary amendment under this Section 3.4 within thirty (30) days of notification of the Triggering Event, then this Agreement shall terminate without further action on the 30th day.

4. **Term**.

4.1 This Agreement shall have an initial term of one (1) year from the Effective Date (the "Term"). This Agreement may be renewable for periods (the "Renewal Term") up to a cumulative term of two (2) years from the Effective Date (collectively, the "Term"). **All such**

Renewal Terms shall be valid only upon the execution of a written agreement by Consultant and the Company, approved by a Company Compliance Officer pursuant to Section 21 of the Agreement, and executed prior to the end of the then current Initial or Renewal Term.

4.2. Termination.

(a) In the event that either Party hereto shall commit a material breach with respect to the performance of any of its obligations hereunder and if such breach shall not be remedied within thirty (30) days after written notice of such breach by the nonbreaching Party to the breaching Party, then the nonbreaching Party may, but shall not be obligated to, terminate this Agreement immediately upon further notice. Any termination hereof shall not waive any legal or equitable remedy available to the nonbreaching Party against the breaching Party by reason of such breach. Either Party hereto shall be deemed to be in breach hereunder if at any time it shall be adjudicated bankrupt or insolvent, or an order shall be entered, remaining unstayed by appeal or otherwise for sixty (60) days, appointing a receiver or trustee for such Party or any of its properties, or approving a petition seeking reorganization or other relief under the bankruptcy or similar laws of the United States, any U.S. state or applicable foreign law, or such Party shall file a petition to take advantage of any statutes for the protection of debtors, or make a general assignment for the benefit of creditors. Upon the occurrence of any such breach under the provisions of the preceding sentence, the nonbreaching Party shall be entitled to terminate this Agreement immediately upon written notice given to the breaching Party.

(b) In addition, either party may terminate this Agreement upon thirty (30) days' written notice to the other party.

(c) In the event of a termination of this Agreement pursuant to this section, the parties shall not enter into any new agreements or financial arrangements with respect to the subject matter hereof from the date of termination until the next anniversary date of the Effective Date.

(d) Upon termination all accrued payments as of the date of the notice of termination will be paid by the Company.

(e) This Agreement shall continue in full force and effect following any Change of Control of the Company (as hereinafter defined) through the end of the term, *provided that* the termination rights of the parties in the event of breach, set forth in Section 4.2(a), shall not be affected by such Change of Control. "Change of Control" shall mean

(A) any merger or other business combination involving the Company after which the former stockholders of the Company own less than fifty percent (50%) of the outstanding stock for the surviving company,

(B) any sale of all or substantially all of the assets of the Company, or any similar transaction,

(C) any transaction or series of related transactions by the Company in which in excess of fifty percent (50%) of the voting securities of the Company are transferred to any third party (whether a single person or a group of persons as defined in the US securities laws, or

(D) any similar transactions or series of transaction (as reasonably determined by the Company).

4.3 Modifications

The material terms of this agreement, including the services performed and the compensation to be paid, may not be modified within one (1) year following the Effective Date of this Agreement, nor any more frequently than annually thereafter.

5. **Certain Other Contracts**.

5.1 Consultant will not disclose to the Company any information that Consultant is obligated to keep secret pursuant to an agreement with, or other duty of confidentiality to, a third party, and nothing in this Agreement shall be deemed to impose any obligation on Consultant to the contrary. In the event that either party has a contractual or ethical obligation to disclose the existence of this Agreement to a third party the other party hereby consents to such disclosure, provided that the disclosing party notifies the other party of such disclosure.

5.2 Consultant shall not perform consulting work hereunder during the time that is required to be devoted to the Institution or to any other third party. Consultant shall not use the time, funding, resources, or facilities of the Institution, or any other third party to perform consulting work hereunder, and Consultant shall not perform the consulting work hereunder in any manner that would give the Institution or any third party any claim of benefit to, or rights (including intellectual property rights) in the product of such work.

5.3 Consultant has disclosed on the attached **Schedule 5.3** all present (and during the term of this Agreement Consultant shall promptly disclose to the Chief Executive Officer of the Company any subsequent) actual or potential conflicts between this Agreement and any other agreements under which Consultant owes any duties or obligations, including any agreements or understandings that Consultant has with any person or firm relating to the Field of Interest.

6. **Exclusive Services During The Term**. Consultant agrees that during the Term of this Agreement and for a period ending one (1) year after the expiration or earlier termination of this Agreement pursuant to Section 4 or otherwise, he will not directly or indirectly either

(a) provide any consulting, advisory, development, and clinical research or other services to any other business or commercial entity which competes with the Company in the Field of Interest or

(b) participate in the formation of any business or commercial entity which competes with the Company in the Field of Interest.

7. **Disclosure of Discoveries to the Company**. Subject to Consultant's confidentiality obligations to third parties, during the term of this Agreement, Consultant will use his best efforts to disclose to the Chief Executive Officer of the Company, on a confidential basis, technology and product opportunities which come to the attention of Consultant in the Field of Interest, and any idea, concept, invention, improvement, discovery, process, formula, technique, or method, or other intellectual property relating to, or useful in, the Field of Interest, whether or not patentable or copyrightable (hereinafter "Discoveries").

8. **Consultant Discoveries**. Consultant will promptly and fully disclose to the Chief Executive Officer of the Company (or his designee) any Discoveries conceived, developed, or first reduced to practice by Consultant or by the Institution or anyone working on their respective behalves, either alone or jointly with others, while performing services pursuant to this Agreement (the "Consultant Discoveries"). Consultant agrees to, and hereby does, assign to the Company all of his right, title, and interest in and to any such Consultant Discoveries. Consultant agrees to take such actions and execute such documents as reasonably required by Company to secure and enforce Company's rights in Consultant Discoveries, including the documents required for Company to apply for, obtain, and enforce patents or copyrights in any and all countries on such Consultant Discoveries. Consultant hereby irrevocably designates the Secretary of the Company as his agent and attorney-in-fact to execute and file any such document and to do all lawful acts necessary to apply for and obtain patents and copyrights, and to enforce the Company's rights under this paragraph. This Section 8 will survive the termination of this Agreement with respect to Consultant Discoveries. Without limiting the foregoing, but subject to Consultant's rights in Section 10 hereof, the Company shall have the exclusive right to use and exploit economically, to divulge, to publish, to record, to translate, to distribute, and to modify all the papers, publications, and any other document or information relating to Company Technology or otherwise within the Field of Interest. The documents, papers, and other information (including such Consultant Discoveries) shall not be transferred, communicated to third parties, divulged, or published for any reason without the Company's prior written consent.

9. **Health Information**

9.1 The Parties recognize a common goal of securing the integrity of all individually identifiable health information and according that information the highest possible degree of confidentiality and protection from disclosure.

(a) All individually identifiable health information (including information relating to patients and/or study subjects whose identities may be ascertained by the exercise of reasonable effort through investigation or through use of other public or private databases) shall be treated as confidential by the Parties in accordance with applicable federal, state, and local laws, rules, and regulations governing the confidentiality and privacy of individually identifiable health information, including, but without limitation, to the extent that each party is subject to it, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and any regulations and official guidance promulgated thereunder; and the Parties agree to take such additional steps as may be required to ensure that the Parties are and remain in compliance with HIPAA regulations and official guidance.

(b) The Company, even if not a covered entity under HIPAA, recognizes that the Company has the responsibility to protect all individually identifiable health information consistent with the protections afforded to that information as Confidential Information set forth above; and only to use and disclose such information as necessary to discuss and analyze the results of a clinical case, to ensure research integrity, to communicate with the Food and Drug Administration [FDA] and other regulatory authorities, and otherwise as required by law or as permitted by authorizations or consents signed by affected patients, or waiver of authorization

granted by an Institutional Review Board [IRB] overseeing clinical protocols or that IRB's affiliated Privacy Board (the "Permitted Activities"); and to restrict the use and disclosure of any individually identifiable health information gained through the Permitted Activities to its workforce, contractors, subcontractors, study collaborators, and agents (collectively "Recipients of Patient Information") who must have access to that information in order directly to support or facilitate the Permitted Activities; and to notify all Recipients of Patient Information of the requirements regarding protecting, using, and disclosing such information in the fulfillment of their assigned duties.

9.2 Based on the Institution's internal operating procedures and/or regulations, Consultant assumes all responsibility to determine if any IRB clearance or informed patient consent is required regarding any clinical case information provided by Consultant to the Company. The Company assumes no responsibility for lack of IRB approvals or consent of patients in the event that the Consultant fails to follow regulations pertaining to informed consent and IRB approvals. Upon request, Consultant shall provide the Company with written verification of IRB and/or patient consent approvals or waiver.

10. **Confidentiality**.

10.1 Consultant acknowledges that, during the course of performing services pursuant to this Agreement, the Company will be disclosing information to Consultant, including information about Company Technology, and that Consultant will be developing information related to the business of the Company, including but not limited to Discoveries, Consultant Discoveries, projects, products, prospective suppliers, prospective customers, personnel, business plans, and finances, as well as, other commercially valuable information (hereinafter "Company Information"). Consultant acknowledges that the Company's business is extremely competitive, dependent in part upon the maintenance of secrecy, and that any improper disclosure of the Company Information would result in serious and irreparable harm to the Company.

10.2 Consultant agrees that Consultant shall only use the Company Information in connection with providing consulting services to Company hereunder, and that Consultant shall not use Company Information in any way that is detrimental to the Company.

10.3 Consultant shall not disclose, directly or indirectly, the Company Information to any third person or entity, other than to officers or duly appointed representatives or agents of the Company. Consultant will treat the Company Information as confidential and the proprietary property of the Company.

10.4 Nothing in this Agreement shall prevent Consultant from disclosing or using information that

(a) Consultant can prove by documentary evidence was already in his possession and at his free disposal before the disclosure to him hereunder; or

(b) is subsequently disclosed to Consultant by a third party not under any obligations of confidentiality to the Company; or

(c) is or becomes generally available to the public through no fault of Consultant; or

(d) is independently developed by Consultant without the use of any other Confidential Information of the Company; or

(e) is required by law to be disclosed by Consultant, subject to Section 10.5 below.

10.5 Consultant may disclose Confidential Information hereunder solely to the extent such disclosure is reasonably necessary in connection with submissions to any governmental authority in connection with this Agreement or in filing or prosecuting patent applications contemplated under this Agreement, prosecuting or defending litigation, complying with applicable laws or for the purposes expressly permitted by this Agreement; *provided that* in the event of any such disclosure of the Company's Confidential Information by Consultant, Consultant will, except where impracticable, give reasonable advance notice to the Company of such disclosure requirement so that the Company may seek a protective order and or other appropriate remedy or waive compliance with the confidentiality provisions of this Section 10, and will reasonably cooperate with the Company in any efforts to secure confidential treatment of such Confidential Information required to be disclosed.

10.6 Whenever requested by Company, Consultant will promptly return to the Company all materials containing or reflecting Company Information as well as data, records, reports, and other property, furnished by the Company to Consultant or produced by Consultant in connection with services rendered hereunder, together with all copies of any of the foregoing. Notwithstanding such return, Consultant shall continue to be bound by the terms of the confidentiality provisions contained in this Section 10 for a period of four (4) years after the expiration or termination of this Agreement.

11. **Publication**. Consultant may publish or orally disclose results of Consultant's work performed pursuant to the Agreement only with the prior written consent of Company (such consent not to be unreasonably withheld) provided that Consultant may make all requisite disclosures to regulatory authorities.

12. **Use of Name**.

12.1 Neither party shall use the name of the other for any commercial purpose without the prior written consent of the named party for the specific use.

12.2 Notwithstanding the foregoing, Consultant understands that his name and his affiliation with the Institution may appear in disclosure documents required by securities laws, and in other U.S. or other applicable non-U.S. regulatory and administrative filings in the ordinary course of the Company's business. It is also understood that the name of Consultant and Consultant's affiliation with the Institution may appear in such filings and disclosure documents in connection with the Company's Scientific Advisory Board. The foregoing uses in this Section 12.2 will be deemed to be non-commercial uses.

13. **Consultant Representations, Warranties and Covenants**.

13.1 *Representations and Warranties*. Consultant represents and warrants to the Company that:

(a) he is free to enter into this Agreement and that neither this Agreement nor the performance Consultant's obligations hereunder present actual or potential conflicts with any other agreements, understandings, policies, or other arrangements (including, without limitation, of the Institution) under which Consultant owes any duties or obligations, including any agreements, understandings, policies or other arrangements that Consultant has with any person or firm relating to the Field of Interest; and

(b) neither the execution of this Agreement nor the performance of Consultant's obligations under this Agreement will result in a violation or breach of any other obligation of confidentiality or any employment, consulting, advisory, development, or other agreement by which Consultant is bound (including with respect to the Institution) or, to Consultant's knowledge, of any U.S. or applicable non-U.S. law or regulation.

13.2 *Covenants*. During the term of this Agreement, Consultant will not enter into any arrangement or agreement in conflict with this Agreement and agrees to promptly disclose to the Company any subsequent actual or potential conflicts with any agreements, understandings, policies, or other arrangements with any third party. Consultant shall indemnify, defend, and hold the Company harmless against any and all liability and expense which the Company might incur as a result of any breach of the representations, warranties, and covenants under this Agreement.

14. **Disclosures**.

14.1 *Disclosure of Agreement*. Consultant represents and warrants that he has no contractual or other obligation to disclose the existence of this Agreement to St. Vincent's Health System, Ascension Health Ventures, or any other institution or organization with which Consultant is affiliated. In the event that either party has a contractual, legal, or ethical obligation to disclose the existence of this Agreement to a third party, the other party hereby consents to such disclosure, provided that the disclosing party notifies the other party of such disclosure. The Company may disclose the existence of, and some or all of the terms of, this Agreement to St. Vincent's Health System, Ascension Health Ventures, or any other institution with which Consultant is affiliated for the purpose of obtaining such institution's acknowledgement and agreement relating to the Company's ownership of any Consultant Discoveries as set forth herein.

14.2 *Disclosure of Fees and Services*. Consultant acknowledges and agrees that all consulting arrangements and the Company's relationship with Consultant and/or Institution are subject to public disclosure in Company communications, including on the Company's website. Such disclosure may include, but is not limited to, compensation paid to Consultant or Institution for services, payments for travel expenses (lodging, transportation, and meals), consulting fees, royalties, equity, discounts, rebates, and/or intellectual property terms. Disclosures may be made for the year-to-date and the prior calendar year. Disclosures may include any stock and/or stock options provided to the consultant and/or service provider from year 2005 forward.

15. **Notices**. All notices, requests, or other communications to a party will be sufficient if contained in a written instrument, addressed to such party at the address set forth below or such other address as may be designated in writing by the addressee to the addresser, if: delivered in person, or sent by overnight courier with record of receipt, or sent by fax or email with confirming copy sent by mail with receipt acknowledged by the below-named addressee or its authorized designee:

In the case of the Company:

Stereotaxis, Inc.
4320 Forest Park Avenue, Suite 100
St. Louis, Missouri 63108
Attention: Clinical Compliance
Email: peter.takes@stereotaxis.com
Fax: 1-314-667-3880

In the case of Consultant:

Eric N. Prystowsky, MD
958 Laurelwood
Carmel, IN 46032
Email: Eprystow@thecaregroup.com
Fax:

or to such other address as may have been designated by the Company or Consultant by notice to the other given as provided herein.

16. **Independent Contractor: Withholding**. Consultant will at all time be an independent contractor, and as such will not have authority to bind the Company. Consultant will not act as an agent nor shall he be deemed to be an employee of the Company for the purposes of any employee benefit program, unemployment benefits, or otherwise. Consultant recognizes that no amount will be withheld from his compensation for payment of any federal, state, or local taxes and that Consultant has sole responsibility to pay such taxes, if any, and file such returns as shall be required by applicable laws and regulations. Consultant shall not enter into any agreements or incur any obligations on behalf of the Company.

17. **Assignment**. Due to the personal nature of the services to be rendered by Consultant, Consultant may not assign this Agreement. The Company may assign all rights and liabilities under this Agreement (as a group with other similar agreements with members of the Scientific Advisory Board) to a subsidiary or an affiliate or to a successor to all or a substantial part of its business and assets without the consent of Consultant. Subject to the foregoing, this Agreement will inure to the benefit of and be binding upon each of the heirs, assigns, and successors of the respective parties.

18. **Severability**. If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, such provision shall be severed and the remaining provisions shall continue in full force and effect.

19. **Remedies**. Consultant acknowledges that the Company would have no adequate remedy at law to enforce Sections 6, 8, and 10 hereof. In the event of a violation by Consultant of such Sections, the Company shall have the right to obtain injunctive or other similar relief, as well as any other relevant damages, without the requirements of posting bond or other similar measures.

20. **Arbitration**. Any and all claims or disputes between the Company and Consultant arising out of or relating to the Agreement, other than for injunctive relief, shall be decided by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association currently in effect at that time, which shall be the parties' sole remedy at law or in equity. Notice of a demand for arbitration shall be filed in writing with the other party to this Agreement and with the American Arbitration Association and shall be made within a reasonable time after the dispute arises. Any award rendered by the arbitrator or arbitrators shall be final and judgment may be entered thereupon in accordance with applicable law in any court having jurisdiction thereof.

20.1 In the event of any dispute, disagreement, arbitration, or litigation as between the parties to the Agreement, then in such event to the extent the prevailing party has incurred costs and expenses to retain the services of an attorney to enforce or defend the Agreement or any of the terms or portion thereof, the non-prevailing party shall pay all such reasonable costs thereby expended including, but not limited to, attorney's fees, court costs, costs of arbitration, and costs of litigation in the event injunctive relief is requested.

20.2 Upon written notice received, either party hereto shall have a reasonable period of time (but in no event to exceed thirty (30) days) within which to cure any default or failure to perform; provided, however, that no irreparable harm shall have occurred as a result of such default or failure to perform.

21. **Governing Law**. This agreement shall be interpreted, and the rights of the parties determined in accordance with the substantive laws of the State of Missouri, USA, without regard to conflicts of laws principles. This Agreement sets forth the entire understanding of the parties with respect to the subject matter herein, supersedes all prior agreements between the parties, and may only be amended in writing, specifically referencing this agreement and signed by both Company and Consultant. No amendments shall be valid without endorsement by a Company Compliance Officer.

This agreement contains binding arbitration provisions that may be enforced by the parties.

[Signature page follows]

IN WITNESS WHEREOF, this Agreement may be executed in counterparts, each of which shall constitute an original and all of which together shall constitute one instrument, effective as of the later of February 25, 2011, or the last date on which this Agreement is signed by the parties (the "Effective Date").

STEREOTAXIS, INC.

BY: /s/ Melissa Walker
Name: Melissa Walker
Title: Sr. Vice President, Regulatory, Quality and Compliance

DATED: 2/25/2011

Compliance: /s/ Peter A. Takes
Name: Peter A. Takes, Ph.D., RAC
Title: Sr. Director, Clinical & Healthcare Compliance and Clinical Compliance Officer

DATED: 2/25/2011

This agreement is not valid without endorsement by a Stereotaxis Compliance Officer.

Consultant:

SIGNED: /s/ Eric N. Prystowsky

Printed Name: Eric N. Prystowsky, MD

DATED: 2/19/2011

SCHEDULE 2.1 TO THE
CONSULTING AGREEMENT

The project consists of the development and commercialization of devices and the Company's Navigant™ User Interface, to advance the Company's computerized magnetic interventional system. The focus will be on the advancement of applications in electrophysiology [EP].

A. Consultant shall assist the project by offering professional knowledge, by reviewing new designs and by participating in phantom, animal, and clinical studies of the Company. More specifically, Consultant shall play a leading role as the Chairman of the Scientific Advisory Board [SAB] in EP, to progress the development of this therapy into a practical clinical solution, and shall assist the Company in developing devices related thereto.

B. Throughout this arrangement, the Company will be responsible for implementing the designs and for coordinating all aspects of the project. Funding of research projects and clinical trials proposed by Consultant will be reviewed and negotiated on an individual basis.

C. Services include, but are not limited to:

(1) Providing business, clinical, and scientific input on the project,

(2) At the Company's request and in the Company's behalf, presenting at various conferences and seminars data and information on topics related to the use of the Company Technology,

(3) Writing reports,

(4) Meetings with Stereotaxis personnel,

(5) Evaluating product and providing feedback to the Company,

(6) Writing professional/scientific publications, and

(7) Direct participation in phantom, animal, and clinical studies.

D. Specific deliverables and duties shall include, but are not limited to:

(1) Providing ideas, know-how, and advice on the design of the Company's software and devices through discussions and meetings with design and engineering personnel at the Company's facilities and elsewhere.

(2) Developing protocols and helping to implement product trials in the US for electrophysiology indications.

(3) Assisting in marketing and educational planning as requested by the Company, including without limitation the following:

(a) Preparing educational materials related to Company Technology.

(b) Providing medical review of training, educational, marketing, and sales literature developed by the Company.

(c) Responding to written and telephone inquiries from other physicians who are using Company technology that have been referred to Consultant by the Company, provided the Company may request a copy of any written responses or a description of any oral disclosures made to such other physicians by Consultant.

(4) Presenting at various conferences and seminars on the Company's behalf on topics related to the use of the Company Technology. Additionally, providing education and training to other physicians with respect to the Field of Interest and the Company Technology. Such education shall occur in formal training sessions consisting of five (5) to eight (8) physicians in each session. No other faculty is expected to participate in such sessions.

E. During all presentations on behalf of the Company, including, but not limited to, clinical/scientific presentations at professional conferences and seminars, Consultant shall not discuss or present data, information, commentary, and/or opinion on the off-label use of Company products in accordance with the intended use approved or cleared by the US Food and Drug Administration and included in the product labeling and/or instructions for use.

F. Consultant shall make an effort to provide to the Company for review, at least one (1) week prior to any scheduled event, a copy of all presentations to be made on behalf of the Company in accordance with this Agreement. The Company reserves the exclusive right to modify, add, or delete content, and/or delete confidential and proprietary information. The consultant reserves the right to decline to present requested information he does not deem appropriate for the audience.

G. The Company reserves the right, at its sole discretion, to maintain a copy of, as well as continued use of, all presentations made on behalf the Company in accordance with this Agreement.

SCHEDULE 5.3 TO THE
CONSULTING AGREEMENT

Any actual or potential conflicts between this Agreement and any other agreements under which Consultant owes any duties or obligations, including any agreements or understandings that Consultant has with any person or firm relating to the Field of Interest:

[LIST ALL CONFLICTING AGREEMENTS. IF NONE, INDICATE “NONE”.]

EXHIBIT A
Form Time Record

NAME: _____ (Consultant's Name)
MONTH: _____, 20__
[Attach additional sheets if necessary]

Narrative Description of Consulting Duties (provide reasonably detailed description of consulting activities)	**Date/Time* (Indicate actual working hours) *e.g., June 15, 2010 — 2:00 p.m. to 4:15 p.m.**	**Total # hours**
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9. TOTAL		

The above information is verified and accurately reflects services performed in accordance with the stipulations and conditions of my current consulting agreement with Stereotaxis, Inc.

Consultant _____

Date _____

Send to:
Stereotaxis, Inc.
4320 Forest Park Avenue, Ste. 100
St. Louis, MO 63108
ATTN: Kori Kach
Ph 314-678-6168
Fax 314-678-6300

Form **W-9**
(Rev. January 2003)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give form to the requester. Do not send to the IRS.

Print or type
See Specific Instructions on page 2

Name

Business name, if different from above

Check appropriate box: ☐ Individual/ Sole proprietor ☐ Corporation ☐ Partnership ☐ Other ▶ ..... ☐ Exempt from backup withholding

Address (number, street, and apt. or suite no.)

Requester's name and address (optional)

City, state, and ZIP code

List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see How to get a TIN on page 3.

Note: *If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.*

Social security number
___ ___ ___ - ___ ___ - ___ ___ ___ ___

or

Employer identification number
___ ___ - ___ ___ ___ ___ ___ ___ ___

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. person (including a U.S. resident alien).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. (See the instructions on page 4.)

Sign Here — Signature of U.S. person ▶ Date ▶

Purpose of Form

A person who is required to file an information return with the IRS, must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

U.S. person. Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee.

Note: *If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.*

Foreign person. If you are a foreign person, use the appropriate Form W-8 (see Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

Nonresident alien who becomes a resident alien. Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the recipient has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

Cat. No. 10231X — Form **W-9** (Rev. 1-2003)

Exhibit 31.1

Certification of Principal Executive Officer

I, Michael P. Kaminski, 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 6, 2011

/s/ Michael P. Kaminski

Michael P. Kaminski
Chief Executive Officer
Stereotaxis, Inc.
(Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer

I, Daniel J. Johnston, 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 6, 2011

/s/ Daniel J. Johnston

Daniel J. Johnston
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, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael P. Kaminski, 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 6, 2011

/s/ Michael P. Kaminski

Michael P. Kaminski
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, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel J. Johnston, 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 6, 2011

/s/ Daniel J. Johnston

Daniel J. Johnston
Chief Financial Officer
Stereotaxis, Inc.