
**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, 2009**.

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

For the transition period from _____ to _____.

Commission File Number: **000-50884**

STEREOTAXIS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

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

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

63108
(Zip Code)

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

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

Indicate by check mark whether the registrant 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 Regulation 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 30, 2009 was 42,378,793.

[Table of Contents](#)

STEREOTAXIS, INC.
INDEX TO FORM 10-Q

	<u>Page</u>
Part I Financial Information	
Item 1. Financial Statements (unaudited)	
Balance Sheets	3
Statements of Operations	4
Statements of Cash Flows	5
Notes to Financial Statements	6-12
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	13-17
Item 3. Quantitative and Qualitative Disclosures About Market Risk	17
Item 4. Controls and Procedures	18
Part II Other Information	
Item 1 Legal Proceedings	19
Item 1A. Risk Factors	19
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	19
Item 3. Defaults upon Senior Securities	19
Item 4. Submission of Matters to a Vote of Security Holders	19
Item 5. Other Information	19
Item 6. Exhibits	19
Signatures	20
Exhibit Index	21

ITEM 1. FINANCIAL STATEMENTS

STEREOTAXIS, INC.
BALANCE SHEETS

	March 31, 2009 (unaudited)	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,799,762	\$ 30,355,657
Accounts receivable, net of allowance of \$436,957 and \$328,307 in 2009 and 2008, respectively	12,569,981	9,739,008
Current portion of long-term receivables	190,968	197,351
Inventories	8,145,691	8,086,956
Prepaid expenses and other current assets	4,934,792	2,966,510
Total current assets	44,641,194	51,345,482
Property and equipment, net	6,955,458	6,420,600
Intangible assets, net	1,244,445	1,277,778
Long-term receivables	284,457	298,123
Other assets	98,863	98,382
Total assets	<u>\$ 53,224,417</u>	<u>\$ 59,440,365</u>
Liabilities and stockholders' equity		
Current liabilities:		
Short-term debt and current maturities of long-term debt	\$ 13,901,491	\$ 3,901,491
Accounts payable	5,330,995	4,561,928
Accrued liabilities	8,709,512	9,873,818
Deferred contract revenue	8,418,545	9,676,339
Warrants	4,803,654	—
Total current liabilities	41,164,197	28,013,576
Long-term debt, less current maturities	15,294,783	25,271,547
Long-term deferred contract revenue	1,100,321	1,225,656
Other liabilities	146,465	158,905
Stockholders' equity:		
Preferred stock, par value \$0.001; 10,000,000 shares authorized at 2009 and 2008, none outstanding at 2009 and 2008	—	—
Common stock, par value \$0.001; 100,000,000 shares authorized at 2009 and 2008, 42,384,136 and 42,049,792 shares issued at 2009 and 2008, respectively	42,384	42,050
Additional paid in capital	299,170,680	300,892,957
Treasury stock, 40,151 shares at 2009 and 2008	(205,999)	(205,999)
Accumulated deficit	(303,488,414)	(295,958,327)
Total stockholders' equity (deficit)	<u>(4,481,349)</u>	<u>4,770,681</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 53,224,417</u>	<u>\$ 59,440,365</u>

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2009	2008
Revenue:		
Systems	\$ 6,860,807	\$ 4,377,398
Disposables, service and accessories	4,272,327	2,651,053
Total revenue	11,133,134	7,028,451
Cost of revenue:		
Systems	2,563,483	1,856,102
Disposables, service and accessories	897,199	569,960
Total cost of revenue	3,460,682	2,426,062
Gross margin	7,672,452	4,602,389
Operating expenses:		
Research and development	3,309,862	4,698,797
Sales and marketing	7,453,439	7,663,713
General and administrative	4,038,156	5,476,122
Total operating expenses	14,801,457	17,838,632
Operating loss	(7,129,005)	(13,236,243)
Other income	250,937	—
Interest income	26,972	107,728
Interest expense	(678,991)	(402,651)
Net loss	<u>\$ (7,530,087)</u>	<u>\$ (13,531,166)</u>
Net loss per common share:		
Basic and diluted	<u>\$ (0.18)</u>	<u>\$ (0.37)</u>
Weighted average shares used in computing net loss per common share:		
Basic and diluted	<u>41,281,130</u>	<u>36,493,662</u>

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2009	2008
Cash flows from operating activities		
Net loss	\$ (7,530,087)	\$(13,531,166)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	499,541	564,195
Amortization	33,333	15,231
Amortization of warrants	174,345	237,129
Share-based compensation	1,185,626	1,353,275
Loss on asset disposal	12,437	3,068
Impairment charge	—	31,598
Non-cash expense net of non-cash royalty income	(431,104)	—
Warrant adjustment	(250,937)	—
Changes in operating assets and liabilities:		
Accounts receivable	(2,830,973)	1,256,431
Other receivables	20,049	(288,736)
Inventories	(58,735)	(572,691)
Prepaid expenses and other current assets	(69,840)	(213,138)
Other assets	(481)	100,000
Accounts payable	769,067	(224,547)
Accrued liabilities	(543,300)	(2,868,493)
Deferred revenue	(1,383,129)	1,681,657
Other	(12,440)	15,404
Net cash used in operating activities	(10,416,628)	(12,440,783)
Cash flows from investing activities		
Purchase of equipment	(1,046,836)	(163,090)
Proceeds from the maturity/sale of available-for-sale investments	—	6,150,000
Net cash provided by (used in) investing activities	(1,046,836)	5,986,910
Cash flows from financing activities		
Payments under long-term debt	(166,666)	(250,000)
Proceeds from issuance of stock and warrants, net of issuance costs	74,235	654,781
Net cash provided by (used in) financing activities	(92,431)	404,781
Net decrease in cash and cash equivalents	(11,555,895)	(6,049,092)
Cash and cash equivalents at beginning of period	30,355,657	17,022,200
Cash and cash equivalents at end of period	<u>\$ 18,799,762</u>	<u>\$ 10,973,108</u>

See accompanying notes.

STEREOTAXIS, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Basis of Presentation

The accompanying unaudited financial statements of Stereotaxis, Inc. (the “Company”) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all the disclosures required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, they include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. Operating results for the three month periods ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ended December 31, 2009 or for future operating periods. These interim financial statements and the related notes should be read in conjunction with the annual financial statements and notes included in the Company’s Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 13, 2009 for the year ended December 31, 2008.

Recently Adopted Accounting Pronouncements

Effective January 1, 2009 the Company adopted FSP No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (FSP EITF 03-6-1). FSP EITF 03-6-1 addresses whether instruments granted in share-based payment awards that entitle their holders to receive non-forfeitable dividends or dividend equivalents before vesting should be considered participating securities and need to be included in the earnings allocation in computing EPS under the “two-class method”. The two-class method of computing EPS is an earnings allocation formula that determines EPS for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008 (January 1, 2009 for the Company) with all prior period EPS data to be adjusted retrospectively. Because the Company’s restricted share awards do not contractually participate in its losses, the Company has not used the two-class method to calculate basic and diluted EPS.

In June 2008, the FASB ratified the consensus reached on Emerging Issues Task Force (“EITF”) Issue No. 07-05, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity’s Own Stock* (“EITF 07-05”). EITF 07-05 clarifies the determination of whether an instrument (or an embedded feature) is indexed to an entity’s own stock, which would qualify as a scope exception under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* (“SFAS 133”). EITF No. 07-05 is effective for financial statements issued for fiscal years beginning after December 15, 2008. In conjunction with its December 2008 registered direct offering, the Company issued warrants to purchase shares of the Company’s common stock. One of the warrant series was determined to be a derivative instrument based on the clarification within EITF 07-05. As of January 1, 2009, the fair value of these warrants was reclassified from equity to a current liability. The fair value of the warrant will be periodically remeasured with any changes in value recognized in “Other income (expense)” in the financial statements. See Derivative Instruments below for the required disclosures related to derivative instruments.

Effective January 1, 2009, the Company adopted the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* (SFAS 161). The standard requires additional quantitative disclosures and qualitative disclosures for derivative instruments. The required disclosures must address the following: 1) how and why an entity uses derivative instruments; 2) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations and 3) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. SFAS 161 does not change the accounting treatment for derivative instruments. Since SFAS 161 only required additional disclosure, the adoption did not impact the Company’s results of operations, financial condition or cash flows.

Revenue and Costs of Revenue

For arrangements with multiple deliverables, the Company allocates the total revenue to each deliverable based on the provisions of Staff Accounting Bulletin 104, *Revenue Recognition* (“SAB 104”), and Emerging Issues Task Force (EITF) Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables* (“EITF 00-21”), and recognizes revenue for each separate element as the criteria are met. Revenue for NIOBE system sales is recognized for the portion of sales price due upon delivery, provided that delivery has occurred, title has passed, there are no uncertainties regarding acceptance, persuasive evidence of an arrangement exists, the sales price is fixed and determinable, and collection of the related receivable is reasonably assured. The greater of the fair market value or the amount of the sales price due upon installation is recognized as revenue when the standard installation process is complete. When installation is the responsibility of the customer, revenue from system sales is recognized upon shipment since such arrangements

[Table of Contents](#)

do not include an installation element or right of return privileges. If uncertainties exist regarding collectability, the Company recognizes revenue when those uncertainties are resolved. The Company may deliver systems to a non-hospital site at the customer's request. The Company evaluates whether delivery has occurred considering the guidance under SAB 104 with respect to "bill and hold". The Company generally recognizes revenue for ODYSSEY system sales upon completion of installation. Amounts collected prior to satisfying the above revenue recognition criteria are reflected as deferred revenue. Revenue from services and license fees, whether sold individually or as a separate unit of accounting in a multi-element arrangement, is deferred and amortized over the service or license fee period, which is typically one year. Revenue from services is derived primarily from the sale of annual product maintenance plans. The Company recognizes revenue from disposable device sales or accessories upon shipment and establishes an appropriate reserve for returns. The Company recognizes amounts earned on the shipment of product to customers as revenue and recognizes costs incurred on the shipment of product to customers as cost of revenue.

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.

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 Company deducted unearned restricted shares and has excluded all outstanding options, stock appreciation rights and warrants from the calculation of basic loss per common share because all such securities are anti-dilutive for all periods presented. In addition, the application of the two-class method of computing earnings per share under FSP No. EITF 03-6-1 is not applicable because the Company's unearned restricted shares do not contractually participate in its losses. As of March 31, 2009, the Company had 4,525,600 shares of common stock issuable upon the exercise of outstanding options and stock appreciation rights at a weighted average exercise price of \$7.37 per share and 11,449,798 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of \$4.21 per share. The Company had a weighted average of 850,992 unearned restricted shares for the three months ended March 31, 2009.

Fair Value Measurements

Effective January 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 provides a single definition of fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. In February 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which provides a one year deferral of the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. SFAS 157 applies to those previously issued pronouncements that prescribe fair value as the relevant measure of value, except SFAS 123(R) and related interpretations and pronouncements that require or permit measurement similar to fair value but are not intended to measure fair value. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs.

Statement No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy, as defined below, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1, defined as observable inputs such as quoted prices in active markets for identical assets.
- Level 2, defined as observable inputs other than Level 1 prices. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

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 FASB Statement No. 123(R), *Share-Based Payment* ("SFAS 123(R)"). SFAS 123(R) requires the determination of the fair value of the share-based compensation at the grant date and the recognition of the related expense over the period in which the share-based compensation vests.

[Table of Contents](#)

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.

At March 31, 2009, 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 been recognized was approximately \$7.4 million, net of estimated forfeitures of approximately \$1.1 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.

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, 2008 and the Company's definitive Proxy Statement on Schedule 14A filed with the SEC on April 24, 2009. At March 31, 2009, the Board of Directors had reserved a total of 5,443,634 shares of the Company's common stock to provide for current and future grants under its various equity plans.

A summary of the option and stock appreciation rights activity for the three months ended March 31, 2009 is as follows:

	<u>Number of Options/SARs</u>	<u>Range of Exercise Price</u>	<u>Weighted Average Exercise Price per Share</u>
Outstanding, December 31, 2008	4,480,683	\$0.25 - \$14.84	\$ 7.52
Granted	135,000	\$3.38	\$ 3.38
Exercised	(3,472)	\$1.62	\$ 1.62
Forfeited	(86,611)	\$4.84 - \$14.84	\$ 9.58
Outstanding, March 31, 2009	<u>4,525,600</u>	\$0.25 - \$14.84	\$ 7.37

A summary of the restricted share grant activity for the three months ended March 31, 2009 is as follows:

	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value per Share</u>
Outstanding, December 31, 2008	1,021,718	\$ 6.84
Granted	6,800	\$ 3.38
Vested	(52,585)	\$ 7.43
Forfeited	(42,880)	\$ 6.87
Outstanding, March 31, 2009	<u>933,053</u>	\$ 6.78

A summary of the restricted stock outstanding as of March 31, 2009 is as follows:

	<u>Number of Shares</u>
Time based restricted shares	369,487
Performance based restricted shares	563,566
Outstanding, March 31, 2009	<u>933,053</u>

[Table of Contents](#)

Comprehensive Loss

Comprehensive loss generally represents all changes in stockholders' equity except those resulting from investments by stockholders, and included the Company's unrealized income (loss) on marketable securities. Comprehensive loss for the three months ended March 31, 2009 and 2008 was \$(7,530,087) and \$(13,533,130), respectively. Accumulated other comprehensive income (loss) at March 31, 2009 and 2008 was not material.

Investments

In accordance with SFAS 157, the Company's financial assets (cash equivalents invested in money market accounts) in the amount of \$18,423,763 were measured at fair value on a recurring basis as of March 31, 2009 and were based on Level 1 inputs.

Inventory

Inventory consists of the following:

	March 31, 2009	December 31, 2008
Raw materials	\$2,336,236	\$1,551,794
Work in process	356,475	480,400
Finished goods	6,149,940	6,638,040
Reserve for obsolescence	(696,960)	(583,278)
Total inventory	<u>\$8,145,691</u>	<u>\$8,086,956</u>

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	March 31, 2009	December 31, 2008
Prepaid expenses	\$1,067,018	\$1,239,805
Deferred cost of revenue	752,842	816,096
Other assets	3,114,932	910,609
Total prepaid expenses and other current assets	<u>\$4,934,792</u>	<u>\$2,966,510</u>

Property and Equipment

Property and equipment consist of the following:

	March 31, 2009	December 31, 2008
Equipment	\$11,087,329	\$10,504,504
Equipment held for lease	584,870	547,416
Leasehold improvements	2,295,517	1,918,653
	13,967,716	12,970,573
Less: Accumulated depreciation	(7,012,258)	(6,549,973)
Net property and equipment	<u>\$ 6,955,458</u>	<u>\$ 6,420,600</u>

[Table of Contents](#)

Accrued Liabilities

Accrued liabilities consist of the following:

	March 31, 2009	December 31, 2008
Accrued salaries, bonus, and benefits	\$5,121,775	\$5,215,219
Accrued research and development	367,583	399,405
Accrued legal and other professional fees	475,495	622,862
Other	2,744,659	3,636,332
Total accrued liabilities	<u>\$8,709,512</u>	<u>\$9,873,818</u>

Deferred Revenue

Deferred revenue consists of the following:

	March 31, 2009	December 31, 2008
Niobe and Odyssey systems shipped, revenue deferred	\$ 2,100,751	\$ 2,942,032
Customer deposits	1,866,160	2,482,081
Deferred service and license fees	5,551,955	5,477,882
	9,518,866	10,901,995
Less: Long-term deferred revenue	(1,100,321)	(1,225,656)
Total current deferred contract revenue	<u>\$ 8,418,545</u>	<u>\$ 9,676,339</u>

Long-Term Debt and Credit Facilities

Debt outstanding consists of the following:

	March 31, 2009	December 31, 2008
Revolving credit agreement, due March 2010	\$ 13,234,824	\$13,234,824
June 2007 term note, due June 2010	833,333	1,000,000
Biosense Webster Advance	15,128,117	14,938,214
Total debt	29,196,274	29,173,038
Less current maturities	(13,901,491)	(3,901,491)
Total long term debt	<u>\$ 15,294,783</u>	<u>\$25,271,547</u>

In December 2008, the Company agreed to amend its Note and Warrant Purchase Agreement with stockholders who are affiliates of two members of its board of directors ("Lenders"), pursuant to which the Lenders agreed to loan the Company up to an aggregate of \$10 million on an unsecured basis. As amended, the commitment will expire on the earlier of March 31, 2010 or the date the Company receives at least \$20 million of third party, non-bank financing. This facility may also be used by the Company to guarantee its loan commitments with the Company's primary bank lender, through the same extended term. The Company has elected to use the facility to guarantee such loan commitments. In conjunction with the financing commitment, warrants to purchase 1,582,280 shares of the Company's common stock at an exercise price of \$3.16 were issued to the Lenders in February 2009. The warrants were exercisable immediately upon grant and expire five years from the date of grant. The Company recorded the fair value of the warrants in the amount of \$2.1 million which will be amortized to interest expense over the commitment period ending March 2010. The unamortized balance as of March 31, 2009 was approximately \$2.0 million.

In March 2009, the Company and Silicon Valley Bank, its primary lending bank, entered into an agreement to amend the revolving line of credit to change the total availability under the line to \$25 million, with up to \$10 million available under the line supported by the guarantees described above and to extend the term of the agreement to March 31, 2010. As of March 31, 2009, all amounts due under this agreement have been classified as short term debt in the accompanying balance sheet. Under the revised facility, the Company is required to maintain a minimum "tangible net worth" 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, 2009, the Company had \$13.2 million outstanding under the revolving line of credit with current borrowing capacity of \$19.4 million, including amounts already drawn. As such, the Company had the ability to borrow an additional \$6.2 million under the revolving line of credit at March 31, 2009. As of March 31, 2009, the Company was in compliance with all covenants of the bank loan agreement.

[Table of Contents](#)

In June 2007, the Company entered into a term note due in June 2010 with its primary lender for \$2,000,000. The Company is required to make equal payments of principal and interest, at prime plus 1%, through June 2010.

The Company's 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.

In July 2008, the Company and Biosense Webster, Inc. entered into an amendment to their existing agreements. 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 revenue share provisions of the existing agreement. 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 will 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 revenue share 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. As of March 31, 2009, approximately \$18.0 million had been advanced by Biosense Webster to the Company pursuant to the amendment. As of March 31, 2009, \$3.5 million of royalty advances had been used to reduce the advances and the remaining approximately \$15.0 million of amounts owed to Biosense Webster, including accrued interest, has been classified as long term debt in the accompanying balance sheet.

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).

Derivative Instruments

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.

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 SFAS 133 and EITF 07-05, such a reset provision no longer meets 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. EITF 07-05 became effective for the Company as of January 1, 2009. Accordingly, the fair value of the warrants as of that date was reclassified from stockholder's equity into current liabilities at that date. The Company determined that no change in fair value had occurred between the date of closing and December 31, 2008 and as such, the Company did not record a cumulative effect for the change in accounting principal upon adoption of EITF 07-05.

In accordance with SFAS 157, the Company's warrants in the amount of \$4,803,654 were measured at fair value on a recurring basis as of March 31, 2009 and were valued using Level 3 valuation inputs.

A Monte Carlo simulation model was used to value the Company's warrants at March 31, 2009 using the following assumptions: 1) dividend yield of 0%; 2) volatility of 69%; 3) risk-free interest rate of 1.67%; and 4) expected life of 5.25 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, January 1, 2009	<u>\$5,054,591</u>
Change in fair value	<u>(250,937)</u>
Balance, March 31, 2009	<u>\$4,803,654</u>

[Table of Contents](#)

Stockholders' Equity

In conjunction with the financing commitment by the Lenders described above, in February 2009, warrants to purchase 1,582,280 shares of the Company's common stock at an exercise price of \$3.16 were issued to the Lenders.

As a result of the issuance of these warrants to the Lenders, the exercise price of the warrants to purchase 1,792,408 shares issued in the December 2008 equity financing described above was adjusted from the original exercise price of \$5.11 per share to \$3.16 per share, as required by the terms of the underlying warrant agreement.

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:

	<u>March 31,</u> <u>2009</u>
Warranty accrual at December 31, 2008	\$ 534,122
Warranty expense incurred	63,818
Payments made	<u>(113,405)</u>
Warranty accrual at March 31, 2009	<u>\$ 484,535</u>

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.

Related Party Transactions

In February 2009, the Company exercised its option to extend a \$10 million commitment for unsecured borrowings through March 2010 from certain stockholders who are affiliates of two members of our board of directors (the "Lenders"). In conjunction with this commitment, the Lenders received five-year warrants to purchase 1,582,280 shares of common stock at a price of \$3.16 per share. The Company recorded the fair value of \$2,072,787 to other current assets and will amortize the expense over the term of the commitment. During the three months ended March 31, 2009, the Company expensed \$76,463 related to these warrants recorded within interest expense.

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, 2008. 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, 2008. 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, coronary artery disease and peripheral vascular 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 information management system, which consolidates the multiple sources of diagnostic and imaging information found in the interventional lab into a large-screen user interface with single mouse control, which can be connected via a private network line to other interventional labs or to a remote clinical call center. The core components of the NIOBE system and the ODYSSEY system have received regulatory clearance in the U.S., Canada, Europe 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, 2008.

Revenue Recognition

For arrangements with multiple deliverables, we allocate the total revenue to each deliverable based on the provisions of Staff Accounting Bulletin SAB 104 ("SAB 104"), *Revenue Recognition* and Emerging Issues Task Force EITF Issue No. 00-21 ("EITF 00-21"), *Revenue Arrangements with Multiple Deliverables*, and recognize revenue for each separate element as the criteria are met. Under EITF 00-21, we are required to continually evaluate whether we have separate units of accounting for deliverables within certain contractual arrangements we have made with customers, specifically as it relates to the sale and installation of our Magnetic Navigation System. We determined that installation of our Niobe system meets the criteria under SAB 104 and EITF Issue No. 00-21 for recognition as a separate element or unit of accounting. Revenue is recognized on the sale of the ODYSSEY system upon completion of installation.

[Table of Contents](#)

Under our revenue recognition policy, revenue for NIOBE system sales is recognized for the portion of sales price due upon delivery, provided that delivery has occurred, title has passed, there are no uncertainties regarding acceptance, persuasive evidence of an arrangement exists, the sales price is fixed and determinable, and collection of the related receivable is reasonably assured. The greater of the fair market value or the amount of the sales price due upon installation is recognized as revenue when the standard installation process is complete. When installation is the responsibility of the customer, revenue from system sales is recognized upon shipment since these arrangements do not include an installation element or right of return privileges. We may deliver systems to a non-hospital site at the customer's request. We evaluate whether delivery has occurred considering the guidance under SAB 104 with respect to "bill and hold". Revenue is recognized for ODYSSEY systems upon completion of installation. Amounts collected prior to satisfying the above revenue recognition criteria are reflected as deferred revenue. Revenue from services and license fees, whether sold individually or as a separate unit of accounting in a multi-element arrangement, is deferred and amortized over the service or license fee period, which is typically one year. Revenue from services is derived primarily from the sale of annual product maintenance plans.

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 affect on revenue recognized in the period. We believe that the estimate is not likely to change significantly in the future.

Results of Operations

Comparison of the Three Months Ended March 31, 2009 and 2008

Revenue. Revenue increased from \$7.0 million for the three months ended March 31, 2008 to \$11.1 million for the three months ended March 31, 2009, an increase of approximately 58%. Revenue from the sale of systems increased from \$4.4 million to \$6.9 million, an increase of approximately 57%, because of an increase in the number of NIOBE systems recognized as revenue from four to five and an increase in the average revenue realized per system. In addition, we delivered five ODYSSEY systems during the 2009 period as contrasted with two systems sold in the 2008 period. Revenue from sales of disposable interventional devices, service and accessories increased to \$4.3 million for the three months ended March 31, 2009 from \$2.7 million for the three months ended March 31, 2008, an increase of approximately 61%. This increase was attributable to the increased base of installed systems, the resulting disposable sales and related royalties as well as favorable pricing on a next generation proprietary disposable. As a percentage of our revenue, gross margin was approximately 69% for the three months ended March 31, 2009 compared to 65% during the same three month period of the prior year.

Purchase orders and other commitments for our magnetic navigation system and integrated cath lab display were approximately \$67 million at March 31, 2009. We do not include orders for disposables, service or other accessories in the backlog data. Backlog includes amounts withheld at the time of revenue recognition which will generally be included in systems revenue in the future when the related obligations are completed. There can be no assurance that we will recognize revenue in any particular period or at all because some of our purchase orders and other commitments are subject to contingencies that are outside our control. In addition, these orders and commitments may be revised, modified or cancelled, either by their express terms, as a result of negotiations, or by project changes or delays.

Cost of Revenue. Cost of revenue increased from \$2.4 million for the three months ended March 31, 2008 to \$3.5 million for the three months ended March 31, 2009, an increase of approximately 43%. Cost of revenue for systems sold increased from \$1.9 million for the three months ended March 31, 2008 to \$2.6 million for the three months ended March 31, 2009, an increase of approximately 38% primarily due to the increase in the number of NIOBE and ODYSSEY systems sold in 2009.

Research and Development Expenses. Research and development expenses decreased from \$4.7 million for the three months ended March 31, 2008 to \$3.3 million for the three months ended March 31, 2009, a decrease of approximately 30%. The decrease was due principally to a decrease in related to the completion of development of two projects.

Sales and Marketing Expenses. Sales and marketing expenses decreased from \$7.7 million for the three months ended March 31, 2008 to \$7.5 million for the three months ended March 31, 2009, a decrease of approximately 3%. Decreases in selected sales and marketing activities were nearly offset by increased compensation and related expenses associated with expanded sales operations.

General and Administrative Expenses. General and administrative expenses include regulatory, clinical, general management and training expenses. General and administrative expenses decreased to \$4.0 million from \$5.5 million for the three months ended March 31, 2009 and 2008, respectively, a decrease of approximately 26%. The decrease was due primarily to a reduction of headcount and regulatory process costs and a realignment of certain responsibilities into sales and marketing.

[Table of Contents](#)

Other Income. Other income represents the decrease in market value of certain warrants classified treated as a derivative and recorded as a current liability under EITF 07-05.

Interest Income. Interest income decreased to \$27,000 for the three months ended March 31, 2009 from \$108,000 for the three months ended March 31, 2008, a decrease of approximately 75% due principally to lower rates realized on invested balances.

Interest Expense. Interest expense increased to \$679,000 for the three months ended March 31, 2009 from \$403,000 for the three months ended March 31, 2008, primarily due to the amortization of expense associated with warrants issued during 2008 and 2009 related to the line of credit received from affiliates of certain members of our board of directors and higher average outstanding balances due to our bank loan balances during the 2009 reporting period as well as the amounts received or deferred in connection with the July 2008 Biosense Webster agreement.

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, 2009 we had \$18.8 million of cash and equivalents. At March 31, 2009, we had working capital of approximately \$3.5 million, compared to \$23.3 million at December 31, 2008. The decrease in working capital is due principally to the use of cash and utilization of debt to fund our operations, the classification of \$10 million of debt as short-term and the reclassification of \$4.8 million from equity to current liabilities related to certain warrants issued in our December 2008 financing transaction and the adoption of EITF 07-05 on January 1, 2009.

The following table summarizes our cash flow by operating, investing and financing activities for each of three month periods ended March 31, 2009 and 2008 (in thousands):

	Three Months Ended	
	March 31,	
	2009	2008
Cash Flow used in Operating Activities	\$(10,417)	\$(12,441)
Cash Flow provided by (used in) Investing Activities	\$ (1,047)	\$ 5,987
Cash Flow provided by (used in) Financing Activities	\$ (92)	\$ 405

Net cash used in operating activities. We used approximately \$10.4 million and \$12.4 million of cash for operating activities during the three months ended March 31, 2009 and 2008, respectively, primarily as a result of operations during these periods. During the three month periods ended March 31, 2009 and 2008, we used approximately \$4.1 million and \$1.1 million, respectively, to fund operating assets and liabilities. The increase in cash used for working capital purposes in 2009 was attributed principally to the timing of receipt of payments for systems sold.

Net cash provided by (used in) investing activities. We used approximately \$1.0 million of cash for investing activities during the three months ended March 31, 2009 for the purchase of equipment. We generated approximately \$6.0 million of cash from investing activities during the three months ended March 31, 2008 principally from the maturity of investments.

Net cash provided by (used in) financing activities. We used approximately \$0.1 million of cash for financing activities during the three months ended March 31, 2009 from the scheduled repayment of equipment loan obligations offset by purchases of stock by employees under our Employee Stock Purchase Plan. For the three months ended March 31, 2008 we received approximately \$405,000 from financing activities from the exercise of stock options offset by amounts repaid under our equipment loan agreements.

Borrowing facilities

In December 2008, we amended our Note and Warrant Purchase Agreement with stockholders who are affiliates of two members of our board of directors ("Lenders"), pursuant to which the Lenders agreed to loan us up to an aggregate of \$10 million on an unsecured basis. As amended, the commitment will expire on the earlier of March 31, 2010 or the date we receive at least \$20 million of third party, non-bank financing. This facility may also be used by us to guarantee our loan commitments with our primary bank lender, through the same extended term. The Company has elected to use the facility to guarantee such loan commitments. In conjunction with the financing commitment, we issued warrants to purchase 1,582,280 shares of our common stock at an exercise price of \$3.16 to the Lenders. The warrants were exercisable immediately upon grant and expire five years from the date of grant.

Table of Contents

In March 2009, we entered into an agreement with Silicon Valley Bank, our primary lending bank, to amend the revolving line of credit to change the total availability under the line to \$25 million, with up to \$10 million available under the line supported by the guarantees described above and to extend the term of the agreement to March 31, 2010. Under the revised facility, we are required to maintain a minimum “tangible net worth” 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, 2009, we had \$13.2 million outstanding under the revolving line of credit with current borrowing capacity of \$19.4 million, including amounts already drawn. As such, we had the ability to borrow an additional \$6.2 million under the revolving line of credit at March 31, 2009. As of March 31, 2009, we were in compliance with all covenants of the bank loan agreement.

In June 2007, we entered into a term note with our primary lender in the amount of \$2,000,000. We are required to make equal payments of principal and interest, at prime plus 1%, through June 2010.

Our revolving credit agreement and the term note (collectively, the “Credit Agreements”) are secured by substantially all of our assets. We are also required under the Credit Agreements to maintain our primary operating account and the majority of our cash and investment balances in accounts with the primary lender.

In July 2008, we amended our existing agreements with Biosense Webster, Inc. Pursuant to the amendment, Biosense Webster agreed to advance us \$10.0 million against royalty amounts that were owed at the time to us from Biosense Webster the amendment was executed or would be owed in the future. We 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 us to Biosense Webster 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 in the amendment, but in no event later than December 31, 2011. We have the right to prepay any amounts due pursuant to the amendment at any time without penalty. As of March 31, 2009, approximately \$18.0 million had been advanced by Biosense Webster to us pursuant to the amendment. As of March 31, 2009, \$3.5 million of royalty amounts earned had been used to reduce the advances and the remaining approximately \$15.0 million of amounts owed to Biosense Webster, including accrued interest, has been classified as long term debt on our balance sheet. Commencing on May 15, 2010 we are required to make quarterly payments to Biosense Webster equal to the difference between certain aggregate royalty payments recouped by Biosense Webster from us in such quarter and \$1.0 million, until the earlier of (1) the date all funds owed by us to Biosense Webster pursuant to the amendment are fully repaid or (2) the Final Payment Date. 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 from time to time by deductions from royalty amounts otherwise payable to the Company.

Cash flow

We expect to have negative cash flow from operations throughout 2009 as we 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 research and development expenditures will decrease in 2009 and our selling, general and administrative expenses will increase 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. As currently structured, the \$25 million working capital facility as well as the financing commitment provided by the Lenders expires on March 31, 2010. We cannot assure that current sources of financing will be renewed or that additional financing, if any, 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, 2009 we have not hedged exposures in foreign currencies or entered into any other derivative instruments.

For the three months ended March 31, 2009, sales denominated in foreign currencies were approximately 37% of total revenue. For the three months ended March 31, 2009, our revenue would have decreased by approximately \$0.4 million if the U.S. dollar exchange rate used would have strengthened by 10%. For the three months ended March 31, 2009, expenses denominated in foreign currencies were approximately 16% of our total expenses. For the three months ended March 31, 2009, 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, 2009 would not have materially affected the carrying amounts of those net assets.

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 hold are subject to changes in the financial standing of the issuer of such securities, we are not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive instruments.

We 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, 2009, 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. However, because 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 no increase in interest expense for the three months ended March 31, 2009.

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, 2008.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits: See Exhibit Index herein

**STEREOTAXIS, INC.
SIGNATURES**

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

Date: May 11, 2009

STEREOTAXIS, INC.
(Registrant)

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

Date: May 11, 2009

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

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>
3.1(1)	Restated Certificate of Incorporation of the Company
3.2(1)	Restated Bylaws of the Company
4.1(2)	Form of Series B, C and D Warrants issued pursuant to that certain Securities Purchase Agreement, dated December 29, 2008, between the Company, RCG PB, Ltd., and Ramius Enterprise Master Fund Ltd
10.1*	Amended and Restated Loan and Security Agreement, dated March 12, 2009, between the Company and Silicon Valley Bank
10.2	Export-Import Bank Loan and Security Agreement, dated March 12, 2009, between the Company, Stereotaxis International, Inc., and Silicon Valley Bank
10.3	Stereotaxis Advisory Board and Consulting Agreement, dated February 25, 2009, between the Company and Eric N. Prystowsky, MD
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).
<hr/>	
*	Confidential treatment requested as to certain portions, which portions are omitted and filed separately with the Securities and Exchange Commission.
(1)	This exhibit was previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (filed November 12, 2004) (File No. 000-50884), and is incorporated herein by reference.
(2)	This exhibit was previously filed as Exhibit 4.2 to Amendment No. 1 to Registrant's Current Report on Form 8-K/A filed January 8, 2009 (File No. 000-50884), and is incorporated herein by reference.

EXPLANATORY NOTE: “*” INDICATES THE PORTION OF THIS EXHIBIT THAT HAS BEEN OMITTED AND SEPARATELY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this “**Agreement**”) dated as of the Effective Date by and between (i) **SILICON VALLEY BANK**, a California corporation with its principal place of business at 3003 Tasman Drive, Santa Clara, California 95054 and with a loan production office located at 380 Interlocken Crescent, Suite 600, Broomfield, Colorado 80021 (“**Bank**”), and (ii) **STEREOTAXIS, INC.**, a Delaware corporation and **STEREOTAXIS INTERNATIONAL, INC.**, a Delaware corporation, each with offices located at 4320 Forest Park Avenue, Suite 100, St. Louis, Missouri 63108 (“**Borrower**”), provides the terms on which Bank shall lend to Borrower and Borrower shall repay Bank. This Agreement amends and restates in its entirety that certain Loan and Security Agreement by and between Borrower and Bank, dated as of April 30, 2004 (the “**Initial Loan Agreement**”), as amended by a First Loan Modification Agreement dated as of November 3, 2004, between Borrower and Bank (the “**First Amendment**”), as amended by a Second Loan Modification Agreement dated as of November 8, 2005, between Borrower and Bank (the “**Second Amendment**”), as amended by a Third Loan Modification Agreement dated as of March 12, 2007, between Borrower and Bank (the “**Third Amendment**”), as further amended by a Fourth Loan Modification Agreement dated as of December 26, 2007, between Borrower and Bank (the “**Fourth Amendment**”), as further amended by a Fifth Loan Modification Agreement dated as of February 29, 2008, between Borrower and Bank (the “**Fifth Amendment**”) and as further amended by a Sixth Loan Modification Agreement dated as of June 16, 2008, between Borrower and Bank (the “**Sixth Amendment**”), and together with the Initial Loan Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment and the Fifth Amendment, the “**Prior Loan Agreement**”). The parties agree as follows:

1 ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in Section 13. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein.

2 LOAN AND TERMS OF PAYMENT

2.1 Promise to Pay. Borrower hereby unconditionally, jointly and severally, promises to pay Bank the outstanding principal amount of all Credit Extensions and accrued and unpaid interest thereon as and when due in accordance with this Agreement.

2.1.1 Revolving Advances.

(a) Availability. Subject to the terms and conditions of this Agreement and to deduction of Reserves, Bank shall make Advances to Borrower up to the Availability Amount. Amounts borrowed under the Revolving Line may be repaid, and prior to the Revolving Line Maturity Date, reborrowed, subject to the applicable terms and conditions precedent herein.

(b) Termination; Repayment. The Revolving Line terminates on the Revolving Line Maturity Date, when the principal amount of all Advances, the unpaid interest thereon, and all other Obligations relating to the Revolving Line shall be immediately due and payable.

2.1.2 Letters of Credit Sublimit.

(a) As part of the Revolving Line and subject to deduction of Reserves, Bank shall issue or have issued Letters of Credit for Borrower’s account. The face amount of outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit and any Letter of Credit Reserve) may not exceed Eight Million Dollars (\$8,000,000) inclusive of Credit Extensions relating to Sections 2.1.3 and 2.1.4. Such aggregate amounts utilized hereunder shall at all times reduce the amount otherwise available for Advances under the Revolving Line. If, on the Revolving Line Maturity Date or after the occurrence and during the continuance of an Event of

Default there are any outstanding Letters of Credit, then on such date Borrower shall provide to Bank cash collateral in an amount equal to 105% of the face amount of all such Letters of Credit plus all interest, fees, and costs due or to become due in connection therewith (as estimated by Bank in its good faith business judgment), to secure all of the Obligations relating to said Letters of Credit. All Letters of Credit shall be in form and substance acceptable to Bank in its sole discretion and shall be subject to the terms and conditions of Bank's standard Application and Letter of Credit Agreement (the "**Letter of Credit Application**"). Borrower agrees to execute any further documentation in connection with the Letters of Credit as Bank may reasonably request. Borrower further agrees to be bound by the regulations and interpretations of the issuer of any Letters of Credit guaranteed by Bank and opened for Borrower's account or by Bank's interpretations of any Letter of Credit issued by Bank for Borrower's account, and Borrower understands and agrees that Bank shall not be liable for any error, negligence, or mistake, whether of omission or commission, in following Borrower's instructions or those contained in the Letters of Credit or any modifications, amendments, or supplements thereto.

(b) The obligation of Borrower to immediately reimburse Bank for drawings made under Letters of Credit shall be absolute, unconditional, and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, such Letters of Credit, and the Letter of Credit Application. Any amounts Bank pays on behalf of Borrower for any Letters of Credit will be treated as Advances under the Revolving Line and will accrue interest at the interest rate applicable to Advances.

(c) Borrower may request that Bank issue a Letter of Credit payable in a Foreign Currency. If a demand for payment is made under any such Letter of Credit, Bank shall treat such demand as an Advance to Borrower of the equivalent of the amount thereof (plus fees and charges in connection therewith such as wire, cable, SWIFT or similar charges) in Dollars at the then-prevailing rate of exchange in San Francisco, California, for sales of the Foreign Currency for transfer to the country issuing such Foreign Currency.

(d) To guard against fluctuations in currency exchange rates, upon the issuance of any Letter of Credit payable in a Foreign Currency, Bank shall create a reserve (the "**Letter of Credit Reserve**") under the Revolving Line in an amount equal to ten percent (10%) of the face amount of such Letter of Credit. The amount of the Letter of Credit Reserve may be adjusted by Bank from time to time to account for fluctuations in the exchange rate. The availability of funds under the Revolving Line shall be reduced by the amount of such Letter of Credit Reserve for as long as such Letter of Credit remains outstanding.

2.1.3 Foreign Exchange Sublimit. As part of the Revolving Line and subject to the deduction of Reserves, Borrower may enter into foreign exchange contracts with Bank under which Borrower commits to purchase from or sell to Bank a specific amount of Foreign Currency (each, a "**FX Forward Contract**") on a specified date (the "**Settlement Date**"). FX Forward Contracts shall have a Settlement Date of at least one (1) FX Business Day after the contract date and shall be subject to a reserve of ten percent (10%) of each outstanding FX Forward Contract in a maximum aggregate amount equal to Eight Hundred Thousand Dollars (\$800,000) (the "**FX Reserve**"). The aggregate amount of FX Forward Contracts at any one time plus Credit Extensions made pursuant to Sections 2.1.2 and 2.1.4 may not exceed ten (10) times the maximum aggregate amount of the FX Reserve. Any amounts needed to fully reimburse Bank will be treated as Advances under the Revolving Line and will accrue interest at the interest rate applicable to Advances.

2.1.4 Cash Management Services Sublimit. Borrower may use up to Eight Million Dollars (\$8,000,000) inclusive of Credit Extensions relating to Sections 2.1.2 and 2.1.3 (the "**Cash Management Services Sublimit**") of the Revolving Line for Bank's cash management services which may include merchant services, direct deposit of payroll, business credit card, and check cashing services identified in Bank's various cash management services agreements (collectively, the "**Cash Management Services**"). The dollar amount of any Cash Management Services provided under this sublimit will reduce the amount otherwise available under the Revolving Line. Any amounts used or reserved by Borrower for any Cash Management Services will reduce the amount otherwise available for Credit Extensions under the Revolving Line. Any amounts Bank pays on behalf of Borrower for any Cash Management Services will be treated as Advances under the Revolving Line and will accrue interest at the interest rate applicable to Advances.

2.1.5 Equipment Loan.

(a) Payments. Borrower is obligated to the Bank for the 2007 Equipment Advance (as defined in the Third Amendment to the Prior Loan Agreement and defined herein as the "**Equipment Loan**"), made by Bank to Borrower pursuant to the Prior Loan

Agreement. Borrower acknowledges that, as of the Effective Date, the outstanding principal amount of the Equipment Loan is \$833,300. Borrower acknowledges there is no availability under the Equipment Loan, and no other 2007 Equipment Advances will be made hereunder. Borrower shall continue to pay the Equipment Loan in monthly installments of principal (in accordance with the existing 36-month amortization schedule), plus accrued interest on the first day of each month, and with a final payment of all remaining principal amounts outstanding under the Equipment Loan and accrued interest thereon on the Equipment Maturity Date. The Equipment Loan, when repaid, may not be reborrowed.

(b) The Borrower may prepay all, but not less than all, of the Equipment Loan prior to the Equipment Maturity Date by Borrower, effective three (3) Business Days after written notice of termination is given to Bank. On the date of such prepayment, Borrower shall pay all unpaid principal of and all accrued and unpaid interest on the Equipment Loan to Bank, in immediately available funds. Notwithstanding any such termination, Bank's lien and security interest in the Collateral shall continue until Borrower fully satisfies all of its Obligations. If such termination is at Borrower's election (regardless of the existence of any Event of Default), or at Bank's election due to the occurrence and continuance of an Event of Default, Borrower shall pay to Bank, in addition to the payment of any other expenses or fees then-owing, a termination fee (the "**Equipment Loan Termination Fee**") in an amount equal to one percent (1.00%) of the outstanding principal amount of the Equipment Loan. Such Equipment Loan Termination Fee shall bear interest until paid at a rate equal to the highest rate applicable to any of the Obligations.

2.1.6 Guaranteed Line.

(a) Availability. Subject to the terms and conditions of this Agreement and to deduction of Reserves, Bank shall make Guaranteed Advances to Borrower up to the Guaranteed Line. Amounts borrowed under the Guaranteed Line may be repaid, and prior to the Revolving Line Maturity Date, reborrowed, subject to the applicable terms and conditions precedent herein.

(b) Termination; Repayment. The Guaranteed Line terminates on the earlier to occur of (i) the termination of the Sanderling Guaranty or the Alafi Guaranty and (ii) Revolving Line Maturity Date, when the principal amount of all Advances, the unpaid interest thereon, and all other Credit Extensions shall be immediately due and payable.

2.2 Overadvances. If, at any time the sum of (a) the outstanding amount of any Advances (including any amounts used for Cash Management Services) plus (b) the face amount of any outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit and any Letter of Credit Reserve), plus (c) the FX Reserve plus (d) the outstanding amount of any Guaranteed Advances plus (e) the outstanding amount of any Advances (as such term is defined in the EXIM Loan Agreement) exceeds the lesser of either the Revolving Line or the Borrowing Base (such excess amount being an "**Overadvance**"), Borrower shall immediately pay to Bank in cash such Overadvance. Without limiting Borrower's obligation to repay Bank any amount of the Overadvance, Borrower agrees to pay Bank interest on the outstanding amount of any Overadvance, on demand, at the Default Rate.

2.3 Payment of Interest on the Credit Extensions.

(a) Interest Rate.

(i) Advances. Subject to Section 2.3(b), the principal amount outstanding under the Revolving Line (other than Guaranteed Advances) shall accrue interest at a floating per annum rate equal to the greater of (X) the aggregate of the Prime Rate plus one and three-fourths of one percent (1.75%) and (Y) seven percent (7.00%), which interest shall be payable monthly, in arrears, in accordance with Section 2.3(f) below.

(ii) Guaranteed Advances. Subject to Section 2.3(b), the principal amount outstanding the Guaranteed Line shall accrue interest at a floating per annum rate equal to the greater of (X) the aggregate of the Prime Rate plus one-half of one percent (0.50%) and (Y) six percent (6.00%).

(iii) Equipment Loan. Subject to Section 2.3(b), the principal amount outstanding under the Equipment Loan shall accrue interest at a floating per annum rate equal to the greater of (X) the aggregate of the Prime Rate plus one percent (1.00%) and (Y) seven percent (7.00%), which interest shall be payable monthly in accordance with Section 2.3(f) below.

(b) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, Obligations shall bear interest at a rate per annum which is five percentage points (5.00%) above the rate effective immediately before the occurrence of the Event of Default (the “**Default Rate**”). Payment or acceptance of the increased interest rate provided in this Section 2.3(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Bank.

(c) Adjustment to Interest Rate. Changes to the interest rate of any Credit Extension based on changes to the Prime Rate shall be effective on the effective date of any change to the Prime Rate and to the extent of any such change.

(d) 360-Day Year. Interest shall be computed on the basis of a 360-day year for the actual number of days elapsed.

(e) Debit of Accounts. Bank may debit any of Borrower’s deposit accounts, including the Designated Deposit Account, for principal and interest payments or any other amounts Borrower owes Bank when due. These debits shall not constitute a set-off.

(f) Payment; Interest Computation; Float Charge. Interest is payable monthly in arrears on the first calendar day of each month. In computing interest on the Obligations, all Payments received after 12:00 p.m. Eastern time on any day shall be deemed received on the next Business Day. In addition, Bank shall be entitled to charge Borrower a “float” charge in an amount equal to one (1) Business Day’s interest, at the interest rate applicable to the Advances, on all Payments received by Bank. The float charge for each month shall be payable in arrears, on the first day of the month. Bank shall not, however, be required to credit Borrower’s account for the amount of any item of payment which is unsatisfactory to Bank in its good faith business judgment, and Bank may charge Borrower’s Designated Deposit Account for the amount of any item of payment which is returned to Bank unpaid.

2.4 Fees. Borrower shall pay to Bank:

(a) Commitment Fee. A fully earned, non-refundable commitment fee of Three Hundred Twelve Thousand Five Hundred Dollars (\$312,500), on the Effective Date;

(b) Letter of Credit Fee. Bank’s customary fees and expenses for the issuance or renewal of Letters of Credit, upon the issuance, each anniversary of the issuance, and the renewal of such Letter of Credit by Bank;

(c) Termination Fee. Subject to the terms of Section 12.1, a termination fee;

(d) Unused Revolving Line Facility Fee. A fee (the “**Unused Revolving Line Facility Fee**”), which fee shall be paid quarterly in arrears, on the first day of each quarter, in an amount equal to one-half of one percent (0.50%) per annum of the average unused portion of the Revolving Line, as determined by Bank. The unused portion of the Revolving Line, for the purposes of this calculation, shall include amounts reserved under the Cash Management Services Sublimit for products provided, under the Foreign Exchange Sublimit for FX Forward Contracts. Borrower shall not be entitled to any credit, rebate or repayment of any Unused Revolving Line Facility Fee previously earned by Bank pursuant to this Section 2.4(d), notwithstanding any termination of the within Agreement, or suspension or termination of Bank’s obligation to make loans and advances hereunder;

(e) Collateral Monitoring Fee. A monthly collateral monitoring fee of One Thousand Five Hundred Dollars (\$1,500), payable monthly in arrears, on the first day of each month (prorated for any partial month at the beginning and upon termination of this Agreement); and

(f) Bank Expenses. All Bank Expenses (including reasonable attorneys’ fees and expenses for documentation and negotiation of this Agreement) incurred through and after the Effective Date, when due.

3 CONDITIONS OF LOANS

3.1 Conditions Precedent to Initial Credit Extension. Bank’s obligation to make the initial Credit Extension hereunder on or after the Effective Date is subject to the condition precedent that Bank shall have received, in form and substance satisfactory to Bank, such documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate, including, without limitation:

(a) Borrower shall have delivered duly executed original signatures to the Loan Documents to which it is a party;

(b) Borrower shall have delivered duly executed original signatures to the Control Agreements, if any;

(c) Borrower shall have delivered its Operating Documents and a good standing certificate of Borrower certified by the Secretary of State of the applicable state of incorporation or organization of Borrower, dated as of a date no earlier than thirty (30) days prior to the Effective Date;

(d) Borrower shall have delivered duly executed original signatures to the completed Borrowing Resolutions for Borrower;

(e) Borrower shall have delivered the Subordination Agreement duly executed by any holder of Subordinated Debt as required by Bank, in favor of Bank;

(f) Bank shall have received certified copies, dated as of a recent date, of financing statement searches, as Bank shall request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released;

(g) Borrower shall have delivered the Perfection Certificate executed by Borrower and each Guarantor;

(h) Borrower shall have delivered a landlord's consent executed by each landlord of Borrower as required by Bank, in favor of Bank;

(i) Borrower shall have delivered a bailee's/warehouseman's waiver executed by each bailee, if any, of Borrower as required by Bank, in favor of Bank;

(j) Borrower shall have delivered a legal opinion of Borrower's counsel as to authority and enforceability, dated as of the Effective Date together with the duly executed original signatures thereto;

(k) Borrower shall have delivered the duly executed original signatures to each Guaranty, together with the completed Borrowing Resolutions for Guarantor;

(l) Borrower shall have delivered the duly executed Alafi Letter of Credit, naming Bank as beneficiary thereunder, in form and substance acceptable to Bank, in its reasonable discretion;

(m) Borrower shall have delivered evidence satisfactory to Bank that the insurance policies required by Section 6.7 hereof are in full force and effect, together with appropriate evidence showing loss payable and/or additional insured clauses or endorsements in favor of Bank; and

(n) Borrower shall have paid the fees and Bank Expenses then due as specified in Section 2.4 hereof.

3.2 Conditions Precedent to all Credit Extensions. Bank's obligations to make each Credit Extension, including the initial Credit Extension, is subject to the following:

(a) timely receipt of an executed Transaction Report;

(b) the representations and warranties in Section 5 shall be true, accurate and complete in all material respects on the date of the Transaction Report and on the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Default or Event of Default shall have occurred and be continuing or result from the

Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in Section 5 remain true, accurate and complete in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date; and

(c) in Bank's sole discretion, there has not been any material impairment in the general affairs, management, results of operation, financial condition or the prospect of repayment of the Obligations, or any material adverse deviation by Borrower from the most recent business plan of Borrower presented to and accepted by Bank.

3.3 Covenant to Deliver.

Borrower agrees to deliver to Bank each item required to be delivered to Bank under this Agreement as a condition to any Credit Extension. Borrower expressly agrees that the extension of a Credit Extension prior to the receipt by Bank of any such item shall not constitute a waiver by Bank of Borrower's obligation to deliver such item, and any such extension in the absence of a required item shall be in Bank's sole discretion.

3.4 Procedures for Borrowing. Subject to the prior satisfaction of all other applicable conditions to the making of an Advance set forth in this Agreement, to obtain a Credit Extension (other than Advances under Sections 2.1.2 or 2.1.4), Borrower shall notify Bank (which notice shall be irrevocable) by electronic mail, facsimile, or telephone by 12:00 p.m. Eastern time on the Funding Date of the Credit Extension. Together with such notification, Borrower must promptly deliver to Bank by electronic mail or facsimile a completed Transaction Report executed by a Responsible Officer or his or her designee. Bank shall credit such Credit Extensions to the Designated Deposit Account. Bank may make Credit Extensions under this Agreement based on instructions from a Responsible Officer or his or her designee or without instructions if the Credit Extensions are necessary to meet Obligations which have become due. Bank may rely on any telephone notice given by a person whom Bank believes is a Responsible Officer or designee.

4 CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Borrower hereby grants Bank, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Bank, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof. Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral (subject only to Permitted Liens that may have superior priority to Bank's Lien under this Agreement or the EXIM Loan Agreement). If Borrower shall acquire a commercial tort claim, Borrower shall promptly notify Bank in a writing signed by Borrower of the general details thereof and grant to Bank in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Bank.

Notwithstanding the foregoing, it is expressly acknowledged and agreed that the security interest created in this Agreement only with respect to Export-Related Accounts Receivable, Export-Related Inventory and Export-Related General Intangibles (as defined in the EXIM Loan Agreement) is subject to and subordinate to the security interest granted to Bank in the EXIM Loan Agreement with respect to such Export-Related Accounts Receivable, Export-Related Inventory and Export-Related General Intangibles.

If this Agreement is terminated, Bank's Lien in the Collateral shall continue until the Obligations (other than inchoate indemnity obligations) are repaid in full in cash. Upon payment in full in cash of the Obligations and at such time as Bank's obligation to make Credit Extensions has terminated, Bank shall, at Borrower's sole cost and expense, release its Liens in the Collateral and all rights therein shall revert to Borrower.

4.2 Authorization to File Financing Statements. Borrower hereby authorizes Bank to file financing statements, without notice to Borrower, with all appropriate jurisdictions to perfect or protect Bank's interest or rights hereunder, including a notice that any disposition of the Collateral, by either Borrower or any other Person, shall be deemed to violate the rights of Bank under the Code. Without limiting the foregoing, Borrower hereby authorizes Bank to file financing statements which describe the collateral as "all assets" and/or "all personal property" of Borrower or words of similar import.

5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows at all times unless expressly provided below:

5.1 Due Organization; Authorization; Power and Authority. Borrower and each of its Subsidiaries, if any, are duly existing and in good standing as Registered Organizations in their respective jurisdictions of formation and are qualified and licensed to do business and are in good standing in any jurisdiction in which the conduct of their business or their ownership of property requires that they be qualified except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower's business. In connection with this Agreement, Borrower has delivered to Bank a completed certificate substantially in the form provided by Bank to Borrower, entitled "Perfection Certificate". Borrower represents and warrants to Bank that (a) Borrower's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof; (b) Borrower is an organization of the type and is organized in the jurisdiction set forth in the Perfection Certificate; (c) the Perfection Certificate accurately sets forth Borrower's organizational identification number or accurately states that Borrower has none; (d) the Perfection Certificate accurately sets forth Borrower's place of business, or, if more than one, its chief executive office as well as Borrower's mailing address (if different than its chief executive office); (e) Borrower (and each of its predecessors) has not, in the past five (5) years, changed its jurisdiction of formation, organizational structure or type, or any organizational number assigned by its jurisdiction; and (f) all other information set forth on the Perfection Certificate pertaining to Borrower and each of its Subsidiaries is accurate and complete. If Borrower is not now a Registered Organization but later becomes one, Borrower shall promptly notify Bank of such occurrence and provide Bank with Borrower's organizational identification number.

The execution, delivery and performance by Borrower of the Loan Documents to which it is a party have been duly authorized, and do not (i) conflict with any of Borrower's organizational documents, (ii) contravene, conflict with, constitute a default under or violate any material Requirement of Law, (iii) contravene, conflict or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect or (v) constitute an event of default under any material agreement by which Borrower is bound. Borrower is not in default under any agreement to which it is a party or by which Borrower or any of its Subsidiaries may be bound in which the default could reasonably be expected to have a material adverse effect on Borrower's business.

5.2 Collateral. Borrower has good title to, has rights in, and the power to transfer each item of Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens except Permitted Liens. Borrower has no deposit accounts other than the deposit accounts with Bank and deposit accounts described in the Perfection Certificate delivered to Bank in connection herewith or of which Borrower has given Bank notice and taken such actions as are necessary to give Bank a perfected security interest therein. The Accounts are bona fide, existing obligations of the Account Debtors.

The Collateral is not in the possession of any third party bailee (such as a warehouse) except as otherwise provided in the Perfection Certificate. None of the components of the Collateral shall be maintained at locations other than as provided in the Perfection Certificate. In the event that Borrower, after the date hereof, intends to store or otherwise deliver any portion of the Collateral to a bailee, then Borrower will first receive the written consent of Bank (which consent shall not be unreasonably withheld) and such bailee must execute and deliver a bailee agreement in form and substance satisfactory to Bank in its sole discretion.

All Inventory is in all material respects of good and marketable quality, free from material defects.

To Borrower's knowledge, Borrower is the sole owner of its intellectual property, except for non-exclusive licenses granted to its customers in the ordinary course of business. To Borrower's knowledge, each patent is valid and enforceable and no part of the intellectual property has been judged invalid or unenforceable, in whole or in part, and to the best of Borrower's knowledge, no claim has been made that any part of the Intellectual Property violates the rights of any third party.

Borrower is not a party to, nor is bound by, any license or other agreement with respect to which Borrower is the licensee (a) that prohibits or otherwise restricts Borrower from granting a security interest in Borrower's interest in such license or agreement or any other property, or (b) for which a default under or termination of could interfere with the Bank's right to sell any Collateral.

Borrower shall provide written notice to Bank within ten (10) days of entering or becoming bound by any such license or agreement (other than over-the-counter software that is commercially available to the public). Borrower shall take such steps as Bank requests to obtain the consent of, or waiver by, any person whose consent or waiver is necessary for (x) all such licenses or contract rights to be deemed "Collateral" and for Bank to have a security interest in it that might otherwise be restricted or prohibited by law or by the terms of any such license or agreement (such consent or authorization may include a licensor's agreement to a contingent assignment of the license to Bank if Bank determines that is necessary in its good faith judgment), whether now existing or entered into in the future, and (y) Bank to have the ability in the event of a liquidation of any Collateral to dispose of such Collateral in accordance with Bank's rights and remedies under this Agreement and the other Loan Documents.

5.3 Accounts Receivable.

(a) For each Account with respect to which Advances are requested, on the date each Advance is requested and made, such Account shall meet the Minimum Eligibility Requirements set forth in Section 13 below.

(b) All statements made and all unpaid balances appearing in all invoices, instruments and other documents evidencing the Accounts are and shall be true and correct and all such invoices, instruments and other documents, and all of Borrower's Books are genuine and in all respects what they purport to be. All sales and other transactions underlying or giving rise to each Account shall comply in all material respects with all applicable laws and governmental rules and regulations. Borrower has no knowledge of any actual or imminent Insolvency Proceeding of any Account Debtor whose accounts are an Eligible Account in any Borrowing Base Certificate. To the best of Borrower's knowledge, all signatures and endorsements on all documents, instruments, and agreements relating to all Accounts are genuine, and all such documents, instruments and agreements are legally enforceable in accordance with their terms.

5.4 Litigation. There are no actions or proceedings pending or, to the knowledge of the Responsible Officers, threatened in writing by or against Borrower or any of its Subsidiaries involving more than Fifty Thousand Dollars (\$50,000).

5.5 No Material Deviation/Deterioration in Financial Condition. All consolidated financial statements for Borrower and any of its Subsidiaries delivered to Bank fairly present in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to Bank.

5.6 Solvency. The fair salable value of Borrower's assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; Borrower is not left with unreasonably small capital after the transactions in this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature.

5.7 Regulatory Compliance. Borrower is not an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations T and U of the Federal Reserve Board of Governors). Neither Borrower nor any of its Subsidiaries is a "holding company" or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company" as each term is defined and used in the Public Utility Holding Company Act of 2005. Borrower has complied in all material respects with the Federal Fair Labor Standards Act. Borrower has not violated any laws, ordinances or rules, the violation of which could reasonably be expected to have a material adverse effect on its business. None of Borrower's or any of its Subsidiaries' properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Borrower and each of its Subsidiaries have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Government Authorities including, without limitation, the U.S. Food and Drug Administration, that are necessary to continue its business as currently conducted.

5.8 Subsidiaries; Investments. Borrower does not own any stock, partnership interest or other equity securities except for Permitted Investments.

5.9 Tax Returns and Payments; Pension Contributions. Borrower and its Subsidiaries have timely filed all required tax returns and reports, and Borrower and its Subsidiaries, if any, have timely paid all foreign, federal, state and local taxes, assessments,

deposits and contributions owed by Borrower. Borrower may defer payment of any contested taxes, provided that Borrower (a) in good faith contests its obligation to pay the taxes by appropriate proceedings promptly and diligently instituted and conducted, (b) notifies Bank in writing of the commencement of, and any material development in, the proceedings, (c) posts bonds or takes any other steps required to prevent the governmental authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a "Permitted Lien". Borrower is unaware of any claims or adjustments proposed for any of Borrower's prior tax years which could result in additional taxes becoming due and payable by Borrower. Borrower has paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and Borrower has not withdrawn from participation in, and has not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

5.10 Use of Proceeds. Borrower shall use the proceeds of the Credit Extensions as working capital to fund its general business requirements and not for personal, family, household or agricultural purposes.

5.11 Full Disclosure. No written representation, warranty or other statement of Borrower in any certificate or written statement given to Bank, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Bank, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading (it being recognized by Bank that the projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

5.12 Designation of Indebtedness under this Agreement as Senior Indebtedness. All principal of, interest (including all interest accruing after the commencement of any bankruptcy or similar proceeding, whether or not a claim for post-petition interest is allowable as a claim in any such proceeding), and all fees, costs, expenses and other amounts accrued or due under this Agreement shall constitute "senior indebtedness" under the terms of the any indenture, convertible debt offering, debenture offering or other similar debt instrument of the Borrower, whether now existing or herein after issued (in each case only with the prior-written consent of the Bank).

6 AFFIRMATIVE COVENANTS

Borrower shall do all of the following:

6.1 Government Compliance. Maintain its and all its Subsidiaries' legal existence and good standing in their respective jurisdictions of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on Borrower's business or operations. Borrower shall comply, and have each Subsidiary comply, with all laws, ordinances and regulations to which it is subject, the noncompliance with which could have a material adverse effect on Borrower's business. Borrower shall comply, and shall have each Subsidiary comply, with all laws, ordinances and regulations to which it is subject, including, without limitation, the U.S. Food and Drug Administration, the noncompliance with which could result in a Material Adverse Change on Borrower's business.

6.2 Financial Statements, Reports, Certificates.

(a) Borrower shall provide Bank with the following:

(i) (A) weekly, within five (5) days after the end of each week, and (B) upon each request for a Credit Extension, a Transaction Report;

(ii) within thirty (30) days after the end of each month, (A) monthly accounts receivable agings, aged by invoice date, (B) monthly accounts payable agings, aged by invoice date, and outstanding or held check registers, if any, (C) monthly reconciliations of accounts receivable agings (aged by invoice date), transaction reports, Deferred Revenue report and general ledger, and (D) monthly perpetual inventory reports for Inventory valued on a first-in, first-out basis at the lower of cost or market (in accordance with GAAP) or such other inventory reports as are requested by Bank in its good faith business judgment;

(iii) as soon as available, and in any event within thirty (30) days after the end of each month, monthly unaudited financial statements;

(iv) within thirty (30) days after the end of each month a monthly Compliance Certificate signed by a Responsible Officer, certifying that as of the end of such month, Borrower was in full compliance with all of the terms and conditions of this Agreement, and setting forth calculations showing compliance with the financial covenants set forth in this Agreement and such other information as Bank shall reasonably request, including, without limitation, a statement that at the end of such month there were no held checks;

(v) within thirty (30) days prior to the end of each fiscal year of Borrower, (A) annual operating budgets (including income statements, balance sheets and cash flow statements, by month) for the upcoming fiscal year of Borrower, and (B) annual financial projections for the following fiscal year (on a quarterly basis) as approved by Borrower's board of directors, together with any related business forecasts used in the preparation of such annual financial projections; and

(vi) as soon as available, and in any event within one hundred twenty (120) days following the end of Borrower's fiscal year, annual financial statements certified by, and with an unqualified opinion of, independent certified public accountants acceptable to Bank.

Notwithstanding the foregoing, during a Streamline Period, provided no Event of Default has occurred and is continuing, Borrower shall be required to provide Bank with the reports and schedules required pursuant to clause (a)(i)(A) above on a monthly basis, within five (5) days after the end of each month.

(b) In the event that Borrower is or becomes subject to the reporting requirements under the Securities Exchange Act of 1934, as amended, within five (5) days after filing, all reports on Form 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission or a link thereto on Borrower's or another website on the Internet.

(c) Prompt written notice of (i) any material change in the composition of the intellectual property, (ii) the registration of any copyright (including any subsequent ownership right of Borrower in or to any copyright), patent or trademark not previously disclosed to Bank, or (iii) Borrower's knowledge of an event that materially adversely affects the value of the intellectual property.

6.3 Accounts Receivable.

(a) Schedules and Documents Relating to Accounts. Borrower shall deliver to Bank transaction reports and schedules of collections, as provided in Section 6.2, on Bank's standard forms; provided, however, that Borrower's failure to execute and deliver the same shall not affect or limit Bank's Lien and other rights in all of Borrower's Accounts, nor shall Bank's failure to advance or lend against a specific Account affect or limit Bank's Lien and other rights therein. If requested by Bank, Borrower shall furnish Bank with copies (or, at Bank's request, originals) of all contracts, orders, invoices, and other similar documents, and all shipping instructions, delivery receipts, bills of lading, and other evidence of delivery, for any goods the sale or disposition of which gave rise to such Accounts. In addition, Borrower shall deliver to Bank, on its request, the originals of all instruments, chattel paper, security agreements, guarantees and other documents and property evidencing or securing any Accounts, in the same form as received, with all necessary endorsements, and copies of all credit memos.

(b) Disputes. Borrower shall promptly notify Bank of all disputes or claims relating to Accounts. Borrower may forgive (completely or partially), compromise, or settle any Account for less than payment in full, or agree to do any of the foregoing so long as (i) Borrower does so in good faith, in a commercially reasonable manner, in the ordinary course of business, in arm's-length transactions, and reports the same to Bank in the regular reports provided to Bank; (ii) no Default or Event of Default has occurred and is continuing; and (iii) after taking into account all such discounts, settlements and forgiveness, the total outstanding Advances will not exceed the Availability Amount.

(c) Collection of Accounts. Borrower shall have the right to collect all Accounts, unless and until a Default or an Event of Default has occurred and is continuing. All payments on, and proceeds of, Accounts shall be deposited directly by the applicable Account Debtor into a lockbox account, or such other "blocked account" as Bank may specify, pursuant to a blocked account agreement in form and substance satisfactory to Bank in its sole discretion. Whether or not an Event of Default has occurred and is continuing, Borrower shall hold all payments on, and proceeds of, Accounts in trust for Bank, and Borrower shall promptly deliver all

such payments and proceeds to Bank in their original form, duly endorsed, to be applied to the Obligations pursuant to the terms of Section 9.4 hereof; provided, that during a Streamline Period, such proceeds shall promptly be transferred to Borrower's Designated Deposit Account.

(d) Returns. Provided no Event of Default has occurred and is continuing, if any Account Debtor returns any Inventory to Borrower, Borrower shall promptly (i) determine the reason for such return, (ii) issue a credit memorandum to the Account Debtor in the appropriate amount, and (iii) provide a copy of such credit memorandum to Bank, upon request from Bank. In the event any attempted return occurs after the occurrence and during the continuance of any Event of Default, Borrower shall hold the returned Inventory in trust for Bank, and immediately notify Bank of the return of the Inventory.

(e) Verification. Bank may, from time to time, verify directly with the respective Account Debtors the validity, amount and other matters relating to the Accounts, either in the name of Borrower or Bank or such other name as Bank may choose.

(f) No Liability. Bank shall not be responsible or liable for any shortage or discrepancy in, damage to, or loss or destruction of, any goods, the sale or other disposition of which gives rise to an Account, or for any error, act, omission, or delay of any kind occurring in the settlement, failure to settle, collection or failure to collect any Account, or for settling any Account in good faith for less than the full amount thereof, nor shall Bank be deemed to be responsible for any of Borrower's obligations under any contract or agreement giving rise to an Account. Nothing herein shall, however, relieve Bank from liability for its own gross negligence or willful misconduct.

6.4 Remittance of Proceeds. Except as otherwise provided in Section 6.3(c), deliver, in kind, all proceeds arising from the disposition of any Collateral to Bank in the original form in which received by Borrower not later than the following Business Day after receipt by Borrower, to be applied to the Obligations pursuant to the terms of Section 9.4 hereof; provided that, if no Default or Event of Default has occurred and is continuing, Borrower shall not be obligated to remit to Bank the proceeds of the sale of worn out or obsolete Equipment disposed of by Borrower in good faith in an arm's length transaction for an aggregate purchase price of Twenty Five Thousand Dollars (\$25,000) or less (for all such transactions in any fiscal year). Borrower agrees that it will not commingle proceeds of Collateral with any of Borrower's other funds or property, but will hold such proceeds separate and apart from such other funds and property and in an express trust for Bank. Nothing in this Section 6.4 limits the restrictions on disposition of Collateral set forth elsewhere in this Agreement.

6.5 Taxes; Pensions. Make, and cause each of its Subsidiaries, if any, to make, timely payment of all foreign, federal, state and local taxes or assessments (other than taxes and assessment which Borrower is contesting pursuant to the terms of Section 5.9 hereof), and shall deliver to Bank, on demand, appropriate certificates attesting to such payments, and pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms.

6.6 Access to Collateral; Books and Records. At reasonable times, on one (1) Business Day's notice (provided no notice is required if an Event of Default has occurred and is continuing), Bank, or its agents, shall have the right, on a semi-annual basis (or more frequently as Bank shall determine necessary), to inspect the Collateral and the right to audit and copy Borrower's Books. The foregoing inspections and audits shall be at Borrower's expense, and the charge therefor shall be \$1,000 per person per day (or such higher amount as shall represent Bank's then-current standard charge for the same), plus reasonable out-of-pocket expenses. In the event Borrower and Bank schedule an audit more than ten (10) days in advance, and Borrower cancels or seeks to reschedule the audit with less than ten (10) days written notice to Bank, then (without limiting any of Bank's rights or remedies), Borrower shall pay Bank a fee of \$1,000 plus any out-of-pocket expenses incurred by Bank to compensate Bank for the anticipated costs and expenses of the cancellation or rescheduling.

6.7 Insurance. Keep its business and the Collateral insured for risks and in amounts standard for companies in Borrower's industry and location and as Bank may reasonably request. Insurance policies shall be in a form, with companies, and in amounts that are satisfactory to Bank. All property policies shall have a lender's loss payable endorsement showing Bank as the sole lender loss payee and waive subrogation against Bank, and all liability policies shall show, or have endorsements showing, Bank as an additional insured. All policies (or the loss payable and additional insured endorsements) shall provide that the insurer must give Bank at least thirty (30) days notice before canceling, amending, or declining to renew its policy. At Bank's request, Borrower shall deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any policy shall, at Bank's option, be payable to Bank on account of the Obligations. Notwithstanding the foregoing, (a) so long as no Event of Default has occurred and is

continuing, Borrower shall have the option of applying the proceeds of any casualty policy up to Fifty Thousand Dollars (\$50,000), in the aggregate, toward the replacement or repair of destroyed or damaged property; provided that any such replaced or repaired property (i) shall be of equal or like value as the replaced or repaired Collateral and (ii) shall be deemed Collateral in which Bank has been granted a first priority security interest, and (b) after the occurrence and during the continuance of an Event of Default, all proceeds payable under such casualty policy shall, at the option of Bank, be payable to Bank on account of the Obligations. If Borrower fails to obtain insurance as required under this Section 6.7 or to pay any amount or furnish any required proof of payment to third persons and Bank, Bank may make all or part of such payment or obtain such insurance policies required in this Section 6.7, and take any action under the policies Bank deems prudent.

6.8 Operating Accounts.

(a) Maintain its and its Subsidiaries', if any, primary depository, operating accounts and securities accounts with Bank and Bank's affiliates and a majority of Borrower's and its Subsidiaries' excess funds maintained at or invested through Bank or an Affiliate of Bank.

(b) Provide Bank five (5) days prior-written notice before establishing any Collateral Account at or with any bank or financial institution other than Bank or its Affiliates. In addition, for each Collateral Account that Borrower at any time maintains, Borrower shall cause the applicable bank or financial institution (other than Bank) at or with which any Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Bank's Lien in such Collateral Account in accordance with the terms hereunder. The provisions of the previous sentence shall not apply to deposit accounts exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Borrower's employees and identified to Bank by Borrower as such.

(c) Borrower shall, within fifteen (15) days after the aggregate book value (calculated in accordance with GAAP) of all foreign accounts of Borrower and its Subsidiaries, exceeds Five Hundred Thousand Dollars (\$500,000) (such excess being an "Excess Foreign Account Balance"), transfer such Excess Foreign Account Balance to an account of Borrower maintained with Bank or an Affiliate of Bank.

6.9 Financial Covenant.

Borrower shall maintain at all times, to be tested as of the last day of each month:

(a) **Tangible Net Worth.** Borrower shall maintain a minimum Tangible Net Worth of no less than (i) \$* for the * periods ending *; (ii) (\$*) for the * periods ending *; (iii) (\$*) for the * periods ending *; (iv) (\$*) for the * period ending *; (v) (\$*) for the * periods ending *; (vi) (\$*) for the * period ending *; (vii) (\$*) for the * periods ending *; and (viii) (\$*) for the * ending *.

6.10 Protection of Intellectual Property Rights. Borrower shall: (a) protect, defend and maintain the validity and enforceability of its intellectual property; (b) promptly advise Bank in writing of material infringements of its intellectual property; and (c) not allow any intellectual property material to Borrower's business to be abandoned, forfeited or dedicated to the public without Bank's written consent.

6.11 Litigation Cooperation. From the date hereof and continuing through the termination of this Agreement, make available to Bank, without expense to Bank, Borrower and its officers, employees and agents and Borrower's Books, to the extent that Bank may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against Bank with respect to any Collateral or relating to Borrower.

6.12 Further Assurances. Borrower shall execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank's Lien in the Collateral or to effect the purposes of this Agreement.

6.13 Sanderling Liquidity. Sanderling shall maintain at all times (i) a minimum remaining Callable Capital ratio of not less than 2:00:1.00; and (ii) Callable Capital tested quarterly, as of the last day of each fiscal quarter of the Borrower (or more frequently as Bank shall determine necessary), of at least two (2) times the sum of (i) Sanderling's Guaranty Obligations (as defined in the Sanderling Guaranty) plus (ii) all other Contingent Obligations of Sanderling.

6.14 Alafi Letter of Credit. Alafi shall not cancel or allow the Alafi Letter of Credit to expire (unless a renewal letter of credit, in form and substance acceptable to Bank, in its reasonable discretion, is executed prior to such cancellation or expiration).

6.15 Designated Senior Indebtedness. Borrower shall designate all principal of, interest (including all interest accruing after the commencement of any bankruptcy or similar proceeding, whether or not a claim for post-petition interest is allowable as a claim in any such proceeding), and all fees, costs, expenses and other amounts accrued or due under this Agreement as "senior indebtedness", or such similar term, in any future Subordinated Debt incurred by Borrower after the date hereof, if such Subordinated Debt contains such term or any similar term.

6.16 Creation/Acquisition of Subsidiaries. Without limiting the restrictions set forth in Section 7.3 below, Borrower shall promptly notify Bank of the creation of any direct or indirect Subsidiary of Borrower and, at Bank's request, in its sole discretion, Borrower shall take all such action as may be reasonably required by Bank to cause each such Subsidiary to become a co-Borrower or Guarantor under the Loan Documents and grant a continuing pledge and security interest in and to the assets of such Subsidiary (substantially as described on Exhibit A hereto); and Borrower shall grant and pledge to Bank a perfected security interest in the stock, units or other evidence of ownership of each such Subsidiary.

7 NEGATIVE COVENANTS

Borrower shall not do any of the following without Bank's prior written consent:

7.1 Dispositions. Convey, sell, lease, transfer or otherwise dispose of (collectively, "**Transfer**"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers of (a) of Inventory in the ordinary course of business; (b) of worn-out or obsolete Equipment; (c) in connection with Permitted Liens and Permitted Investments; and (d) of non-exclusive licenses for the use of the property of Borrower or its Subsidiaries in the ordinary course of business and licenses that could not result in a legal transfer of title of the licensed property but that may be exclusive in respects other than territory and that may be exclusive as to territory only as to discreet geographical areas outside of the United States. Borrower shall not enter into an agreement with any Person other than Bank which restricts the subsequent granting of a security interest in Borrower's intellectual property.

7.2 Changes in Business, Ownership, Management or Business Locations. Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower or reasonably related thereto, or have a material change in its ownership (other than by the sale of Borrower's equity securities in a public offering or to venture capital investors so long as Borrower identifies to Bank the venture capital investors prior to the closing of the investment). Borrower shall not, without at least fifteen (15) days prior written notice, change any of its senior management. Any such change in senior management shall be with a Person or Persons reasonably acceptable to Bank, in its sole discretion. In addition, Borrower shall not, without at least thirty (30) days prior written notice to Bank: (i) relocate its chief executive office, or add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than Five Thousand Dollars (\$5,000.00) in Borrower's assets or property), or (ii) change its jurisdiction of organization, or (iii) change its organizational structure or type, or (iv) change its legal name, or (v) change any organizational number (if any) assigned by its jurisdiction of organization.

7.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person. A Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

7.4 Indebtedness. Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 Encumbrance. Create, incur, or allow any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, permit any Collateral not to be subject to the first priority security interest granted herein, or enter into any agreement, document, instrument or other arrangement (except with or in favor of Bank) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrower or any Subsidiary from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower's or any Subsidiary's intellectual property, except as is otherwise permitted in Section 7.1 hereof and the definition of "Permitted Lien" herein.

7.6 Maintenance of Collateral Accounts. Maintain any Collateral Account except pursuant to the terms of Section 6.8(b) or Section 6.8(c) hereof.

7.7 Investments; Distributions. (a) Directly or indirectly make any Investment other than Permitted Investments, or permit any of its Subsidiaries to do so; or (b) pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock provided that (i) Borrower may convert any of its convertible securities into other securities pursuant to the terms of such convertible securities or otherwise in exchange thereof, (ii) Borrower may pay dividends solely in common stock; and (iii) Borrower may repurchase the stock of former employees or consultants pursuant to stock repurchase agreements so long as an Event of Default does not exist at the time of such repurchase and would not exist after giving effect to such repurchase, provided such repurchase does not exceed in the aggregate of Fifty Thousand Dollars (\$50,000) per fiscal year.

7.8 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower, except for transactions that are in the ordinary course of Borrower's business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person.

7.9 Subordinated Debt. (a) Make or permit any payment on any Subordinated Debt, except under the terms of the subordination, intercreditor, or other similar agreement to which such Subordinated Debt is subject, or (b) amend any provision in any document relating to the Subordinated Debt which would increase the amount thereof or adversely affect the subordination thereof to Obligations owed to Bank.

7.10 Compliance. Become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940, as amended, or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Credit Extension for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or non-exempt Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act; fail to comply with any law or regulation promulgated by the U.S. Food and Drug Administration; or permit any of its Subsidiaries to do so or violate any other law or regulation, if the violation could reasonably be expected to have cause a Material Adverse Change to Borrower's business, or permit any of its Subsidiaries to do so; withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

8 EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an "Event of Default") under this Agreement:

8.1 Payment Default. Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable. During the cure period, the failure to cure the payment default is not an Event of Default (but no Credit Extension will be made during the cure period);

8.2 Covenant Default.

(a) Borrower fails or neglects to perform any obligation in Sections 6.2, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 6.10, 6.11, 6.13 or 6.14, or violates any covenant in Section 7; or

(b) Borrower fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement, any Loan Documents, and as to any default (other than those specified in this Section 8) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) day period or cannot after diligent attempts by Borrower be cured within such ten (10) day period, and such default is likely to be cured within a reasonable

time, then Borrower shall have an additional period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Credit Extensions shall be made during such cure period). Grace periods provided under this section shall not apply, among other things, to financial covenants or any other covenants set forth in subsection (a) above;

8.3 Material Adverse Change. A Material Adverse Change occurs;

8.4 Attachment. (a) Any material portion of Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver and the attachment, seizure or levy is not removed in ten (10) days; (b) the service of process upon Bank (or Bank's Affiliate) seeking to attach, by trustee or similar process, any funds of Borrower, or of any entity under control of Borrower (including a Subsidiary) on deposit with Bank; (c) Borrower is enjoined, restrained, or prevented by court order from conducting a material part of its business; (d) a judgment or other claim becomes a Lien on any of Borrower's assets; or (e) a notice of lien, levy, or assessment is filed against any of Borrower's assets by any government agency and not paid within ten (10) days after Borrower receives notice. These are not Events of Default if stayed or if a bond is posted pending contest by Borrower (but no Credit Extensions shall be made during the cure period);

8.5 Insolvency. (a) Borrower is unable to pay its debts (including trade debts) as they become due or otherwise becomes insolvent; (b) Borrower begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower and not dismissed or stayed within thirty (30) days (but no Credit Extensions shall be made while any of the conditions described in clause (a) exist and/or until any Insolvency Proceeding is dismissed);

8.6 Other Agreements. There is a default in any agreement to which Borrower or any Guarantor is a party with a third party or parties resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of Two Hundred Thousand Dollars (\$200,000) or that could have a material adverse effect on Borrower's or any Guarantor's business;

8.7 Judgments. A judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least Two Hundred Thousand Dollars (\$200,000) (not covered by independent third-party insurance) shall be rendered against Borrower and shall remain unsatisfied and unstayed for a period of twenty (20) days after the entry thereof (provided that no Credit Extensions will be made prior to the satisfaction or stay of such judgment);

8.8 Misrepresentations. Borrower or any Person acting for Borrower makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Bank or to induce Bank to enter into this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made;

8.9 Subordinated Debt. A default or breach occurs under any agreement between Borrower and any creditor of Borrower that signed a subordination, intercreditor, or other similar agreement with Bank, or any creditor that has signed such an agreement with Bank breaches any terms of such agreement;

8.10 Guaranty. (a) Any guaranty of any Obligations terminates or ceases for any reason to be in full force and effect; (b) any Guarantor does not perform any obligation or covenant under any guaranty of the Obligations; (c) any circumstance described in Sections 8.3, 8.4, 8.5, 8.7, or 8.8. occurs with respect to any Guarantor; (d) the liquidation, winding up, or termination of existence of any Guarantor; or (e) (i) a material impairment in the perfection or priority of Bank's Lien in the collateral provided by Guarantor or in the value of such collateral or (ii) a material adverse change in the general affairs, management, results of operation, condition (financial or otherwise) or the prospect of repayment of the Obligations occurs with respect to any Guarantor; or

8.11 EXIM Default. The occurrence of an Event of Default under the EXIM Loan Agreement.

9 BANK'S RIGHTS AND REMEDIES

9.1 Rights and Remedies. While an Event of Default occurs and continues Bank may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Bank);

(b) stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Bank;

(c) demand that Borrower (i) deposits cash with Bank in an amount equal to the aggregate amount of any Letters of Credit remaining undrawn, as collateral security for the repayment of any future drawings under such Letters of Credit, and Borrower shall forthwith deposit and pay such amounts, and (ii) pay in advance all Letter of Credit fees scheduled to be paid or payable over the remaining term of any Letters of Credit;

(d) terminate any FX Forward Contracts;

(e) settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Bank considers advisable, notify any Person owing Borrower money of Bank's security interest in such funds, and verify the amount of such account;

(f) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Bank requests and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies;

(g) apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) any amount held by Bank owing to or for the credit or the account of Borrower;

(h) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Bank is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's labels, patents, copyrights, mask works, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section, Borrower's rights under all licenses and all franchise agreements inure to Bank's benefit;

(i) place a "hold" on any account maintained with Bank and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(j) demand and receive possession of Borrower's Books; and

(k) exercise all rights and remedies available to Bank under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).

9.2 Power of Attorney. Borrower hereby irrevocably appoints Bank as its lawful attorney-in-fact, exercisable upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower's name on any checks or other forms of payment or security; (b) sign Borrower's name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Bank determines reasonable; (d) make, settle, and adjust all claims under Borrower's insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Bank or a third party as the Code permits. Borrower hereby appoints Bank as its lawful attorney-in-fact to sign Borrower's name on any documents necessary to perfect or continue the perfection of any security interest regardless of whether an Event of Default has occurred until all Obligations have been satisfied in full and Bank is under no further obligation to make Credit Extensions hereunder. Bank's foregoing appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Bank's obligation to provide Credit Extensions terminates.

9.3 Protective Payments. If Borrower fails to obtain the insurance called for by Section 6.7 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this Agreement or any other Loan Document, Bank may obtain such insurance or make such payment, and all amounts so paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then highest applicable rate charged by Bank, and secured by the Collateral. Bank will make reasonable efforts to provide Borrower with notice of Bank obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

9.4 Application of Payments and Proceeds. Unless an Event of Default has occurred and is continuing, Bank may apply any funds in its possession, whether from Borrower account balances, payments, or proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, first, to Bank Expenses, including without limitation, the reasonable costs, expenses, liabilities, obligations and attorneys' fees incurred by Bank in the exercise of its rights under this Agreement; second, to the interest due upon any of the Obligations; and third, to the principal of the Obligations and any applicable fees and other charges, in such order as Bank shall determine in its sole discretion. Any surplus shall be paid to Borrower or other Persons legally entitled thereto; Borrower shall remain liable to Bank for any deficiency. If an Event of Default has occurred and is continuing, Bank may apply any funds in its possession, whether from Borrower account balances, payments, proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, or otherwise, to the Obligations in such order as Bank shall determine in its sole discretion. Any surplus shall be paid to Borrower or to other Persons legally entitled thereto; Borrower shall remain liable to Bank for any deficiency. If Bank, in its good faith business judgment, directly or indirectly enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Bank shall have the option, exercisable at any time, of either reducing the Obligations by the principal amount of the purchase price or deferring the reduction of the Obligations until the actual receipt by Bank of cash therefor.

9.5 Bank's Liability for Collateral. So long as Bank complies with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of Bank, Bank shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 No Waiver; Remedies Cumulative. Bank's failure, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Bank thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by Bank and then is only effective for the specific instance and purpose for which it is given. Bank's rights and remedies under this Agreement and the other Loan Documents are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 Demand Waiver. Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

10 NOTICES

All notices, consents, requests, approvals, demands, or other communication (collectively, "**Communication**"), other than Advance requests made pursuant to Section 3.4, by any party to this Agreement or any other Loan Document must be in writing and be delivered or sent by facsimile at the addresses or facsimile numbers listed below. Bank or Borrower may change its notice address by giving the other party written notice thereof. Each such Communication shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, registered or certified mail, return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by facsimile transmission (with such facsimile promptly confirmed by delivery of a copy by personal delivery or United States mail as otherwise provided in this Section 10); (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number indicated below. Advance requests made pursuant to Section 3.4 must be in writing and may be in the form of electronic mail, delivered to Bank by Borrower at the e-mail address of Bank provided below and shall be deemed to have been validly served, given,

or delivered when sent (with such electronic mail promptly confirmed by delivery of a copy by personal delivery or United States mail as otherwise provided in this Section 10). Bank or Borrower may change its address, facsimile number, or electronic mail address by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to Borrower: StereoTaxis, Inc.
StereoTaxis International, Inc.
c/o Stereotaxis, Inc.
4320 Forest Park Avenue, Suite 100
St. Louis, Missouri 63108
Attn: Mr. Jim Stolze
Fax: (314) 615-6922
Email: jim.stolze@stereotaxis.com

If to Bank: Silicon Valley Bank
380 Interlocken Crescent
Suite 600
Broomfield, CO 80021
Attn: Mr. Adam Glick
Fax: (303) 469-9088
Email: aglick@svb.com

with a copy to: Riemer & Braunstein LLP
Three Center Plaza
Boston, Massachusetts 02108
Attn: Charles W. Stavros, Esquire
Fax: (617) 880-3456
Email: cstavros@riemerlaw.com

11 CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER

Illinois law governs the Loan Documents without regard to principles of conflicts of law. Borrower and Bank each submit to the exclusive jurisdiction of the State and Federal courts in Illinois; provided, however, that nothing in this Agreement shall be deemed to operate to preclude Bank from bringing suit or taking other legal action in any other jurisdiction to realize on the Collateral or any other security for the Obligations, or to enforce a judgment or other court order in favor of Bank. Borrower expressly submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby waives any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to Borrower at the address set forth in Section 10 of this Agreement and that service so made shall be deemed completed upon the earlier to occur of Borrower's actual receipt thereof or three (3) days after deposit in the U.S. mails, proper postage prepaid. NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH HEREINABOVE, BANK SHALL SPECIFICALLY HAVE THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST BORROWER OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION WHICH BANK DEEMS NECESSARY OR APPROPRIATE IN ORDER TO REALIZE ON THE COLLATERAL OR TO OTHERWISE ENFORCE BANK'S RIGHTS AGAINST BORROWER OR ITS PROPERTY.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AND BANK EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

12 GENERAL PROVISIONS

12.1 Termination Prior to Maturity Date. This Agreement may be terminated prior to the Revolving Line Maturity Date by Borrower, effective three (3) Business Days after written notice of termination is given to Bank or if Bank's obligation to fund Credit Extensions terminates pursuant to the terms of Section 2.1.1(b). Notwithstanding any such termination, Bank's lien and security interest in the Collateral shall continue until Borrower fully satisfies its Obligations. If such termination is at Borrower's election or at Bank's election due to the occurrence and continuance of an Event of Default, Borrower shall pay to Bank, in addition to the payment of any other expenses or fees then-owing, a termination fee in an amount equal to one percent (1.00%) of the Revolving Line (i.e. Two Hundred Fifty Thousand Dollars (\$250,000)); provided, that no termination fee shall be charged if the credit facility hereunder is replaced with a new facility from another division of Silicon Valley Bank. Upon payment in full of the Obligations and at such time as Bank's obligation to make Credit Extensions has terminated, Bank shall release its liens and security interests in the Collateral and all rights therein shall revert to Borrower.

12.2 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights or obligations under it without Bank's prior written consent (which may be granted or withheld in Bank's discretion). Bank has the right, without the consent of or notice to Borrower, to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights, and benefits under this Agreement and the other Loan Documents.

12.3 Indemnification. Borrower agrees to indemnify, defend and hold Bank and its directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Bank harmless against: (a) all obligations, demands, claims, and liabilities (collectively, "Claims") asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses or Bank Expenses incurred, or paid by Bank from, following, or arising from transactions between Bank and Borrower (including reasonable attorneys' fees and expenses), except for Claims and/or losses directly caused by Bank's gross negligence or willful misconduct.

12.4 Time of Essence. Time is of the essence for the performance of all Obligations in this Agreement.

12.5 Severability of Provisions. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.6 Amendments in Writing; Integration. All amendments to this Agreement must be in writing signed by both Bank and Borrower. This Agreement and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents.

12.7 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, constitute one Agreement.

12.8 Survival. All covenants, representations and warranties made in this Agreement continue in full force until this Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been satisfied. The obligation of Borrower in Section 12.3 to indemnify Bank shall survive until the statute of limitations with respect to such claim or cause of action shall have run.

12.9 Confidentiality. In handling any confidential information, Bank shall exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made: (a) to Bank's Subsidiaries or Affiliates; (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, Bank shall use commercially reasonable efforts to obtain such prospective transferee's or purchaser's agreement to the terms of this provision); (c) as required by law, regulation, subpoena, or other order; (d) to Bank's regulators or as otherwise required in connection with Bank's examination or audit; and (e) as Bank considers appropriate in exercising remedies under this Agreement. Confidential information does not include information that either: (i) is in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain after disclosure to Bank; or (ii) is disclosed to Bank by a third party, if Bank does not know that the third party is prohibited from disclosing the information. Bank may use confidential information for any purpose, including, without limitation, for the development of client databases, reporting purposes, and market analysis, so long as Bank does not disclose Borrower's identity or the identity of any person associated with Borrower unless otherwise expressly permitted by this Agreement. The provisions of the immediately preceding sentence shall survive the termination of this Agreement.

12.10 Attorneys' Fees, Costs and Expenses. In any action or proceeding between Borrower and Bank arising out of or relating to the Loan Documents, Bank shall be entitled to recover its reasonable attorneys' fees and other costs and expenses incurred, in addition to any other relief to which it may be entitled.

12.11 Right of Set Off. Borrower hereby grants to Bank, a lien, security interest and right of set off as security for all Obligations to Bank, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Bank or any entity under the control of Bank (including a Bank subsidiary) or in transit to any of them. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Bank may set off the same or any part thereof and apply the same to any liability or obligation of Borrower even though unmaturing and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

12.12 Borrower Liability. Either Borrower may, acting singly, request Credit Extensions hereunder. Each Borrower hereby appoints the other as agent for the other for all purposes hereunder, including with respect to requesting Credit Extensions hereunder. Each Borrower hereunder shall be jointly and severally obligated to repay all Credit Extensions made hereunder, regardless of which Borrower actually receives said Advance, as if each Borrower hereunder directly received all Credit Extensions. Each Borrower waives any suretyship defenses available to it under the Code or any other applicable law. Each Borrower waives any right to require Bank to: (i) proceed against any Borrower or any other person; (ii) proceed against or exhaust any security; or (iii) pursue any other remedy. Bank may exercise or not exercise any right or remedy it has against any Borrower or any security it holds (including the right to foreclose by judicial or non-judicial sale) without affecting any Borrower's liability. Notwithstanding any other provision of this Agreement or any other related document, each Borrower irrevocably waives all rights that it may have at law or in equity (including, without limitation, any law subrogating Borrower to the rights of Bank under this Agreement) to seek contribution, indemnification or any other form of reimbursement from any other Borrower, or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, for any payment made by Borrower with respect to the Obligations in connection with this Agreement or otherwise and all rights that it might have to benefit from, or to participate in, any security for the Obligations as a result of any payment made by Borrower with respect to the Obligations in connection with this Agreement or otherwise. Any agreement providing for indemnification, reimbursement or any other arrangement prohibited under this Section shall be null and void. If any payment is made to a Borrower in contravention of this Section 12.12, such Borrower shall hold such payment in trust for Bank and such payment shall be promptly delivered to Bank for application to the Obligations, whether matured or unmatured.

13 DEFINITIONS

13.1 Definitions. As used in this Agreement, the following terms have the following meanings:

"Account" is any "account" as defined in the Code with such additions to such term as may hereafter be made, and includes, without limitation, all accounts receivable and other sums owing to Borrower.

"Account Debtor" is any "account debtor" as defined in the Code with such additions to such term as may hereafter be made.

"Advance" or **"Advances"** means an advance (or advances) under the Revolving Line.

"Affiliate" of any Person is a Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

"Agreement" is defined in the preamble hereof.

“**Alafi**” is Alafi Capital Company, LLC, a California limited liability company.

“**Alafi Guaranty**” is that certain Amended and Restated Guaranty, executed by Alafi as of the date hereof, in favor of Bank.

“**Alafi Letter of Credit**” is that certain \$5,000,000 Stand-by Letter of Credit issued by U.S. Bank, on the account of Alafi, or any principal thereof, for the benefit of Bank, dated on or before the Effective Date, and any replacement or renewal thereof, in each case in form and substance acceptable to Bank, in its reasonable discretion.

“**Availability Amount**” is (a) the lesser of (i) the Revolving Line or (ii) the aggregate of (X) the Borrowing Base plus (Y) the Guaranteed Line; minus (b) the amount of all outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit plus an amount equal to the Letter of Credit Reserves); minus (c) the FX Reserve; minus (d) the outstanding principal balance of any Advances (including any amounts used for Cash Management Services); minus (e) the outstanding principal balance of any Guaranteed Advances. The aggregate amount of all Credit Extensions (other than outstanding principal under the Equipment Line) under this Agreement outstanding at any time, together with all outstanding Advances (as defined in the EXIM Loan Agreement) under the EXIM Loan Agreement outstanding at any time shall not exceed Twenty Five Million Dollars (\$25,000,000).

“**Bank**” is defined in the preamble hereof.

“**Bank Expenses**” are all audit fees and expenses, costs, and expenses (including reasonable attorneys’ fees and expenses) for preparing, negotiating, administering, defending and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred with respect to Borrower.

“**Borrower**” is defined in the preamble hereof.

“**Borrower’s Books**” are all Borrower’s books and records including ledgers, federal and state tax returns, records regarding Borrower’s assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

“**Borrowing Base**” is (a) eighty percent (80%) of Eligible Accounts plus (b) the lesser of (i) forty percent (40%) of the value of Borrower’s Eligible Inventory (valued at the lower of cost or wholesale fair market value) or (ii) One Million Dollars (\$1,000,000), as determined by Bank from Borrower’s most recent Borrowing Base Certificate; provided, however, that Bank may decrease the foregoing amounts and/or percentages in its good faith business judgment based on events, conditions, contingencies, or risks which, as determined by Bank, may adversely affect the value of the Collateral.

“**Borrowing Base Certificate**” is that certain certificate included within each Transaction Report.

“**Borrowing Resolutions**” are, with respect to any Person, those resolutions adopted by such Person’s Board of Directors or other appropriate body and delivered by such Person to Bank approving the Loan Documents to which such Person is a party and the transactions contemplated thereby, together with a certificate executed by its secretary on behalf of such Person certifying that (a) such Person has the authority to execute, deliver, and perform its obligations under each of the Loan Documents to which it is a party, (b) that attached as Exhibit A to such certificate is a true, correct, and complete copy of the resolutions then in full force and effect authorizing and ratifying the execution, delivery, and performance by such Person of the Loan Documents to which it is a party, (c) the name(s) of the Person(s) authorized to execute the Loan Documents on behalf of such Person, together with a sample of the true signature(s) of such Person(s), and (d) that Bank may conclusively rely on such certificate unless and until such Person shall have delivered to Bank a further certificate canceling or amending such prior certificate.

“**Business Day**” is any day that is not a Saturday, Sunday or a day on which Bank is closed.

“**Callable Capital**” is the remaining amount of capital, excluding capital attributable to Defaulting Partners which Sanderling would be able to obtain from the general partner and the limited partners thereof, without condition, upon the proper issuance of capital call notices in accordance with the partnership agreement.

“**Cash Equivalents**” means (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper

maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc., (c) Bank's certificates of deposit issued maturing no more than one (1) year after issue; and (d) money market funds at least ninety-five percent (95%) of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (c) of this definition.

"**Cash Management Services**" is defined in Section 2.1.4.

"**Cash Management Services Sublimit**" is defined in Section 2.1.4.

"**Code**" is the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the State of Illinois; provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of, or remedies with respect to, Bank's Lien on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the State of Illinois, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes on the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions.

"**Collateral**" is any and all properties, rights and assets of Borrower described on Exhibit A.

"**Collateral Account**" is any Deposit Account, Securities Account, or Commodity Account.

"**Commodity Account**" is any "commodity account" as defined in the Code with such additions to such term as may hereafter be made.

"**Communication**" is defined in Section 10.

"**Compliance Certificate**" is that certain certificate in the form attached hereto as Exhibit B.

"**Contingent Obligation**" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

"**Control Agreement**" is any control agreement entered into among the depository institution at which Borrower maintains a Deposit Account or the securities intermediary or commodity intermediary at which Borrower maintains a Securities Account or a Commodity Account, Borrower, and Bank pursuant to which Bank obtains control (within the meaning of the Code) over such Deposit Account, Securities Account, or Commodity Account.

"**Credit Extension**" is any Advance, Guaranteed Advance, Letter of Credit, Equipment Loan, EXIM Loan, FX Forward Contract, amount utilized for Cash Management Services, or any other extension of credit by Bank for Borrower's benefit.

"**Default**" means any event which with notice or passage of time or both, would constitute an Event of Default.

"**Defaulting Partner**" is the general partner or any limited partner of a Sanderling who has previously failed to comply with any portion of a capital call made by Sanderling unless (i) such failure has been cured, or (ii) Sanderling has substituted the Defaulting Partner with another partner, in accordance with the partnership agreement of Sanderling, who is in compliance with such partnership agreement.

“**Default Rate**” is defined in Section 2.3(b).

“**Deferred Revenue**” is all amounts received or invoiced in advance of performance under contracts and not yet recognized as revenue.

“**Deposit Account**” is any “deposit account” as defined in the Code with such additions to such term as may hereafter be made.

“**Designated Deposit Account**” is Borrower’s deposit account, account number _____, maintained with Bank.

“**Dollars**,” “**dollars**” and “**\$**” each mean lawful money of the United States.

“**Effective Date**” is the date Bank executes this Agreement and as indicated on the signature page hereof.

“**Eligible Accounts**” are Accounts which arise in the ordinary course of Borrower’s business that meet all Borrower’s representations and warranties in Section 5.3. Bank reserves the right at any time and from time to time after the Effective Date upon notice to Borrower, to adjust any of the criteria set forth below and to establish new criteria in its good faith business judgment. Without limiting the fact that the determination of which Accounts are eligible for borrowing is a matter of Bank’s good faith judgment, the following (“Minimum Eligibility Requirements”) are the minimum requirements for an Account to be an Eligible Account. Unless Bank agrees otherwise in writing, Eligible Accounts shall not include:

- (a) Accounts for which the Account Debtor has not been invoiced or where goods or services have not yet been rendered to the Account Debtor (sometimes called memo billings or pre-billings);
- (b) Accounts that the Account Debtor has not paid within one hundred twenty (120) days of invoice date;
- (c) Accounts owing from an Account Debtor, fifty percent (50%) or more of whose Accounts have not been paid within one hundred twenty (120) days of invoice date;
- (d) Accounts billed and/or payable outside the United States;
- (e) Accounts with credit balances over one hundred twenty (120) days from invoice date;
- (f) Accounts owing from an Account Debtor, including Affiliates, whose total obligations to Borrower exceed twenty-five percent (25%) of all Accounts, for the amounts that exceed that percentage, unless Bank approves in writing;
- (g) Accounts subject to contractual arrangements between Borrower and an Account Debtor where payments shall be scheduled or due according to completion or fulfillment requirements where the Account Debtor has a right of offset for damages suffered as a result of Borrower’s failure to perform in accordance with the contract (sometimes called contracts accounts receivable, progress billings, milestone billings, or fulfillment contracts);
- (h) Accounts owing from an Account Debtor the amount of which may be subject to withholding based on the Account Debtor’s satisfaction of Borrower’s complete performance (but only to the extent of the amount withheld; sometimes called retainage billings);
- (i) Accounts owing from an Account Debtor which does not have its principal place of business in the United States;
- (i) Accounts owing from the United States or any department, agency, or instrumentality thereof except for Accounts of the United States if Borrower has assigned its payment rights to Bank and the assignment has been acknowledged under the Federal Assignment of Claims Act of 1940, as amended;
- (j) Accounts owing from an Account Debtor to the extent that Borrower is indebted or obligated in any manner to the Account Debtor (as creditor, lessor, supplier or otherwise - sometimes called “contra” accounts, accounts payable, customer deposits or credit accounts), with the exception of customary credits, adjustments and/or discounts given to an Account Debtor by Borrower in the ordinary course of its business;

- (k) Accounts for demonstration or promotional equipment, or in which goods are consigned, or sold on a “sale guaranteed”, “sale or return”, “sale on approval”, “bill and hold”, or other terms if Account Debtor’s payment may be conditional;
- (l) Accounts that represent non-trade receivables or that are derived by means other than in the ordinary course of Borrower’s business;
- (m) Accounts for which the Account Debtor is Borrower’s Affiliate, officer, employee, or agent;
- (n) Accounts in which the Account Debtor disputes liability or makes any claim (but only up to the disputed or claimed amount), or if the Account Debtor is subject to an Insolvency Proceeding, or becomes insolvent, or goes out of business;
- (o) Accounts owing from an Account Debtor with respect to which Borrower has received Deferred Revenue (but only to the extent of such Deferred Revenue);
- (p) Accounts subject to chargebacks or other payment deductions taken by an Account Debtor;
- (q) Accounts for which Bank in its good faith business judgment determines collection to be doubtful; and
- (r) other Accounts Bank deems ineligible in the exercise of its good faith business judgment.

“**Eligible Inventory**” is Borrower’s Inventory located at its principal place of business (or any location permitted under Section 7.2) that complies with representations and warranties in Section 5.2 and is subject to Bank’s first priority Lien, but does not include used, returned, obsolete, consigned, demonstrative or custom inventory, supplies, packing or shipping materials, inventory located at customer sites, inventory located at outsource manufacturers which are not subject to a waiver of security interest or subordination/consent agreement, inventory pending approval by the Food and Drug Administration, or work in process.

“**Equipment**” is all “equipment” as defined in the Code with such additions to such term as may hereafter be made, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

“**Equipment Loan**” is defined in Section 2.1.5(a) hereof.

“**Equipment Loan Termination Fee**” is defined in Section 2.1.5(b) hereof.

“**Equipment Maturity Date**” is June 1, 2010.

“**ERISA**” is the Employment Retirement Income Security Act of 1974, and its regulations.

“**Event of Default**” is defined in Section 8.

“**EXIM Loan**” is any loan, advance or other financial accommodation made under or pursuant to the EXIM Loan Agreement.

“**EXIM Loan Agreement**” is a certain Export-Import Bank Loan and Security Agreement dated as of the Effective Date by and between Bank and Borrower, and all documents, instruments and agreements executed in connection therewith, including, without limitation, the EXIM Borrower Agreement and the EXIM Promissory Note, as each may be amended from time to time.

“**Foreign Currency**” means lawful money of a country other than the United States.

“**Funding Date**” is any date on which a Credit Extension is made to or on account of Borrower which shall be a Business Day.

“**FX Business Day**” is any day when (a) Bank’s Foreign Exchange Department is conducting its normal business and (b) the Foreign Currency being purchased or sold by Borrower is available to Bank from the entity from which Bank shall buy or sell such Foreign Currency.

“**FX Forward Contract**” is defined in Section 2.1.3.

“**FX Reserve**” is defined in Section 2.1.3.

“**GAAP**” is generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

“**General Intangibles**” is all “general intangibles” as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation, all copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, any trade secret rights, including any rights to unpatented inventions, payment intangibles, royalties, contract rights, goodwill, franchise agreements, purchase orders, customer lists, route lists, telephone numbers, domain names, claims, income and other tax refunds, security and other deposits, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

“**Guaranteed Advance**” or “**Guaranteed Advances**” is a loan advance (or advances) under the Guaranteed Line.

“**Guaranteed Line**” is a sublimit of the Revolving Line, consisting of a Guaranteed Advance or Guaranteed Advances of up to Ten Million Dollars (\$10,000,000), in each case guaranteed by each of Sanderling and Alafi in accordance with the terms of the Sanderling Guaranty and the Alafi Guaranty, respectively.

“**Guarantor**” is any present or future guarantor of the Obligations, including, without limitation, Alafi and Sanderling.

“**Indebtedness**” is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, and (d) Contingent Obligations.

“**Insolvency Proceeding**” is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

“**Interest Expense**” means for any fiscal period, interest expense (whether cash or non-cash) determined in accordance with GAAP for the relevant period ending on such date, including, in any event, interest expense with respect to any Credit Extension and other Indebtedness of Borrower and its Subsidiaries, if any, including, without limitation or duplication, all commissions, discounts, or related amortization and other fees and charges with respect to letters of credit and bankers’ acceptance financing and the net costs associated with interest rate swap, cap, and similar arrangements, and the interest portion of any deferred payment obligation (including leases of all types).

“**Inventory**” is all “inventory” as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of Borrower’s custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

“**Investment**” is any beneficial ownership interest in any Person (including stock, partnership interest or other securities), and any loan, advance or capital contribution to any Person.

“**Letter of Credit**” means a standby letter of credit issued by Bank or another institution based upon an application, guarantee, indemnity or similar agreement on the part of Bank as set forth in Section 2.1.2.

“**Letter of Credit Application**” is defined in Section 2.1.2(a).

“**Letter of Credit Reserve**” has the meaning set forth in Section 2.1.2(d).

“**Lien**” is a mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

“**Loan Documents**” are, collectively, this Agreement, the EXIM Loan Agreement, the Perfection Certificate, the Subordination Agreement, if any, any note or notes, the Sanderling Guaranty, the Alafi Guaranty, the Alafi Letter of Credit, any other guaranties executed by Borrower or any Guarantor, and any other present or future agreement between Borrower any Guarantor and/or for the benefit of Bank in connection with this Agreement, all as amended, restated, or otherwise modified.

“**Material Adverse Change**” is (a) a material impairment in the perfection or priority of Bank’s Lien in the Collateral or in the value of such Collateral; (b) a material adverse change in the business, operations, or condition (financial or otherwise) of Borrower; (c) a material impairment of the prospect of repayment of any portion of the Obligations; or (d) Bank determines, based upon information available to it and in its reasonable judgment, that there is a reasonable likelihood that Borrower shall fail to comply with one or more of the financial covenants in Section 6 during the next succeeding financial reporting period.

“**Minimum Eligibility Requirements**” is defined in the defined term “Eligible Accounts”.

“**Obligations**” are Borrower’s obligation to pay when due any debts, principal, interest, Bank Expenses and other amounts Borrower owes Bank now or later, whether under this Agreement, the EXIM Loan Agreement, the Loan Documents, or otherwise, including, without limitation, all obligations relating to letters of credit, cash management services, and foreign exchange contracts, if any, and including interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank, and the performance of Borrower’s duties under the Loan Documents.

“**Operating Documents**” are, for any Person, such Person’s formation documents, as certified with the Secretary of State of such Person’s state of formation on a date that is no earlier than 30 days prior to the Effective Date, and, (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

“**Payment**” means all checks, wire transfers and other items of payment received by Bank (including proceeds of Accounts and payment of all the Obligations in full) for credit to Borrower’s outstanding Credit Extensions or, if the balance of the Credit Extensions has been reduced to zero, for credit to its Deposit Accounts.

“**Perfection Certificate**” is defined in Section 5.1.

“**Permitted Indebtedness**” is:

- (a) Borrower’s indebtedness to Bank under this Agreement or the Loan Documents (including, without limitation, the EXIM Loan Agreement);
- (b) Indebtedness existing on the Closing Date and shown on the Perfection Certificate;
- (c) Subordinated Debt;
- (d) Indebtedness to trade creditors incurred in the ordinary course of business;
- (e) Indebtedness secured by Permitted Liens; and

(f) Extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (e) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be.

“Permitted Investments” are:

- (a) Investments shown on the Perfection Certificate and existing on the Closing Date; and
- (b) (i) marketable direct obligations issued or unconditionally guaranteed by the United States or its agency or any state maturing within 1 year from its acquisition, (ii) commercial paper maturing no more than 1 year after its creation and having the highest rating from either Standard & Poor’s Corporation or Moody’s Investors Service, Inc., (iii) Bank’s certificates of deposit issued maturing no more than 1 year after issue, and (iv) any other investments administered through the Bank.

“Permitted Liens” are:

- (a) Liens existing on the Closing Date and shown on the Perfection Certificate or arising under this Agreement or other Loan Documents;
- (b) Liens for taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which Borrower maintains adequate reserves on its Books, if they have no priority over any of Bank’s security interests;
- (c) Purchase money Liens (i) on Equipment acquired or held by Borrower incurred for financing the acquisition of the Equipment, or (ii) existing on equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the equipment;
- (d) Leases or subleases and non-exclusive licenses or sublicenses granted in the ordinary course of Borrower’s business, if the leases, subleases, licenses and sublicenses permit granting Bank a security interest; and
- (e) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (d), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase.

“Person” is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

“Prime Rate” is Bank’s most recently announced “prime rate,” even if it is not Bank’s lowest rate.

“Registered Organization” is any “registered organization” as defined in the Code with such additions to such term as may hereafter be made.

“Requirement of Law” is as to any Person, the organizational or governing documents of such Person, and any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Reserves” means, as of any date of determination, such amounts as Bank may from time to time establish and revise in good faith reducing the amount of Advances, Letters of Credit and other financial accommodations which would otherwise be available to Borrower under the lending formulas: (a) to reflect events, conditions, contingencies or risks which, as determined by Bank in good faith, do or may affect (i) the Collateral or any other property which is security for the Obligations or its value (including without limitation any increase in delinquencies of Accounts), (ii) the assets or business of Borrower or any Guarantor, or (iii) the security interests and other rights of Bank in the Collateral (including the enforceability, perfection and priority thereof); or (b) to reflect Bank’s good faith belief that any collateral report or financial information furnished by or on behalf of Borrower or any Guarantor to

Bank is or may have been incomplete, inaccurate or misleading in any material respect; or (c) in respect of any state of facts which Bank determines in good faith constitutes an Event of Default or may, with notice or passage of time or both, constitute an Event of Default.

“**Responsible Officer**” is any of the Chief Executive Officer, President, Chief Financial Officer and Controller of Borrower.

“**Revolving Line**” is an Advance or Advances (including, without limitation, Guaranteed Advances and Advances made pursuant to the EXIM Loan Agreement) in an aggregate amount outstanding at any time under this Agreement and the EXIM Loan Agreement of up to Twenty Five Million Dollars (\$25,000,000).

“**Revolving Line Maturity Date**” is March 31, 2010.

“**Sanderling**” is Sanderling Venture Partners VI Co-Investment Fund, L.P., a California limited partnership.

“**Sanderling Guaranty**” is that certain Amended and Restated Guaranty, executed by Sanderling as of the date hereof, in favor of Bank.

“**Securities Account**” is any “securities account” as defined in the Code with such additions to such term as may hereafter be made.

“**Settlement Date**” is defined in Section 2.1.3.

“**Streamline Period**” is, on and after the Effective Date, the period (i) beginning immediately after the forty-fifth (45th) consecutive day in which the Borrower has, for each such consecutive day, maintained unrestricted cash at Bank in an amount greater than the aggregate amount of all outstanding Indebtedness, including, without limitation, all Credit Extensions, of Borrower owed to Bank (the “**Streamline Balance**”), and (ii) ending on the first day thereafter in which the Borrower does not maintain the Streamline Balance.

“**Subordinated Debt**” is (i) indebtedness incurred by Borrower subordinated to all of Borrower’s now or hereafter indebtedness to Bank (pursuant to a subordination, intercreditor, or other similar agreement in form and substance satisfactory to Bank entered into between Bank and the other creditor), on terms acceptable to Bank; and (ii) any indenture, convertible debt offering, debenture offering or other similar debt instrument of the Borrower, whether now existing or herein after issued.

“**Subordination Agreement**” is any agreement, in form and substance acceptable to Bank in its sole discretion, as required by Bank in its sole discretion, subordinating Subordinated Debt to the Bank.

“**Subsidiary**” means, with respect to any Person, any Person of which more than fifty percent (50.0%) of the voting stock or other equity interests is owned or controlled, directly or indirectly, by such Person or one or more Affiliates of such Person.

“**Tangible Net Worth**” is, on any date, the consolidated total assets of Borrower and its Subsidiaries plus (a) Subordinated Debt plus (b) outstanding Guaranteed Advances minus (c) any amounts attributable to (i) goodwill, (ii) intangible items including unamortized debt discount and expense, patents, trade and service marks and names, copyrights and capitalized research and development expenses (except prepaid expenses), (iii) notes, accounts receivable and other obligations owing to Borrower from its officers or other Affiliates, and (iv) reserves not already deducted from assets, minus (d) Total Liabilities plus (e) any mark-to-market expense incurred in accordance with GAAP as a result of mark-to-market adjustments of the value of warrants of the Borrower.

“**Total Liabilities**” is on any day, obligations that should, under GAAP, be classified as liabilities on Borrower’s consolidated balance sheet, including all Indebtedness, including, without limitation, all Credit Extensions.

“**Transaction Report**” is the Bank’s standard reporting package provided by Bank to Borrower.

“**Transfer**” is defined in Section 7.1.

“Unused Revolving Line Facility Fee” is defined in Section 2.4(d).

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as a sealed instrument under the laws of Illinois, as of the Effective Date.

BORROWER:

STEREOTAXIS, INC.

By: /s/ James M. Stolze
Name: James M. Stolze
Title: V.P. & CFO

STEREOTAXIS INTERNATIONAL, INC.

By: /s/ Michael P. Kaminski
Name: Michael P. Kaminski
Title: President & CEO

BANK:

SILICON VALLEY BANK

By: /s/ Adam Glick
Name: Adam Glick
Title: Relationship Manager

Effective Date: March 11, 2009

[Signature page to Amended and Restated Loan and Security Agreement]

EXHIBIT A

The Collateral consists of all of Borrower's right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles (except as provided below), commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

all Borrower's Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include any of the following, whether now owned or hereafter acquired: any copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, and the goodwill of the business of Borrower connected with and symbolized thereby, know-how, operating manuals, trade secret rights, rights to unpatented inventions, and any claims for damage by way of any past, present, or future infringement of any of the foregoing; provided, however, the Collateral shall include all Accounts, license and royalty fees and other revenues, proceeds, or income arising out of or relating to any of the foregoing.

Pursuant to the terms of a certain negative pledge arrangement with Bank, Borrower has agreed not to encumber any of its copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, and the goodwill of the business of Borrower connected with and symbolized thereby, know-how, operating manuals, trade secret rights, rights to unpatented inventions, and any claims for damage by way of any past, present, or future infringement of any of the foregoing, without Bank's prior written consent.

EXHIBIT B

COMPLIANCE CERTIFICATE

TO: SILICON VALLEY BANK
 FROM: STEREOTAXIS, INC. and STEREOTAXIS INTERNATIONAL, INC.

Date: _____

The undersigned authorized officer of StereoTaxis, Inc., a Delaware corporation and StereoTaxis International, Inc. (collectively, jointly and severally, the “**Borrower**”) certifies that under the terms and conditions of the Loan and Security Agreement between Borrower and Bank (the “**Agreement**”), (1) Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, (4) Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.9 of the Agreement, and (5) no Liens have been levied or claims made against Borrower or any of its Subsidiaries, if any, relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank. Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with generally GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under “Complies” column.

<u>Reporting Covenant</u>	<u>Required</u>	<u>Complies</u>
Monthly financial statements with Compliance Certificate	Monthly within 30 days	Yes No
Annual financial statement (CPA Audited) + CC	FYE within 120 days	Yes No
10-Q, 10-K and 8-K	Within 5 days after filing with SEC	Yes No
A/R & A/P Agings, Deferred Revenue and Inventory Reports	Monthly within 30 days	Yes No
Transaction Reports	Weekly, within 5 days*	Yes No
Projections	Annually within 30 days prior to FYE	Yes No

* Monthly during a Streamline Period, within 5 days after the end of each month

The following Intellectual Property was registered after the Effective Date (if no registrations, state “None”)

<u>Financial Covenant</u>	<u>Required</u>	<u>Actual</u>	<u>Complies</u>
Maintain as indicated:			
Minimum Tangible Net Worth** (tested monthly)	\$ _____	\$ _____	Yes No

** See Section 6.9 of the Loan Agreement

The following financial covenant analyses and information set forth in Schedule 1 attached hereto are true and accurate as of the date of this Certificate.

The following are the exceptions with respect to the certification above: (If no exceptions exist, state "No exceptions to note.")

STEREOTAXIS, INC.
STEREOTAXIS INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

BANK USE ONLY

Received by: _____
AUTHORIZED SIGNER

Date: _____

Verified: _____
AUTHORIZED SIGNER

Date: _____

Compliance Status: Yes No

Schedule 1 to Compliance Certificate

Financial Covenants of Borrower

Dated: _____

I. Tangible Net Worth (Section 6.9(a))

Required: Maintain a minimum Tangible Net Worth of at least (not greater than) (i) \$* for the * periods ending * and *; (ii) \$* for the * periods ending *, * and *; (iii) \$* for the * periods ending *and *; (iv) \$* for the * period ending *; (v) \$* for the * periods ending * and *; (vi) \$* for the * period ending *; (vii) \$* for the * periods ending * and *; and (viii) \$* for the * ending *.

Actual:

A. Consolidated total assets of Borrower and its Subsidiaries	\$ _____
B. Subordinated Debt	\$ _____
C. Outstanding Guaranteed Advances	\$ _____
D. Adjusted Assets [line A plus line B plus line C]	\$ _____
E. Amounts attributable to Goodwill	\$ _____
F. Intangible items including unamortized debt discount and expense, patents, trade and service marks and names, copyrights and capitalized research and development expenses (except prepaid expenses)	\$ _____
G. Notes, accounts receivable and other obligations owing to Borrower from its officers or other Affiliates	\$ _____
H. Reserves not already deducted from assets	\$ _____
I. Intangible assets [line E plus line F plus line G plus line H]	\$ _____
J. Total Liabilities	\$ _____
K. Mark-to-market expense incurred in accordance with GAAP as a result of mark-to-market adjustments of the value of Warrants of the Borrower	\$ _____
L. TANGIBLE NET WORTH [line D minus line I minus line J plus line K]	\$ _____

Is line L equal to or greater than (less than) \$_____?

_____ No, not in compliance

_____ Yes, in compliance

EXPORT-IMPORT BANK LOAN AND SECURITY AGREEMENT

THIS EXPORT-IMPORT BANK LOAN AND SECURITY AGREEMENT (this “**EXIM Agreement**”) dated as of the Effective Date among (i) **SILICON VALLEY BANK**, a California corporation with its principal place of business at 3003 Tasman Drive, Santa Clara, California 95054 and with a loan production office located at 380 Interlocken Crescent, Suite 600, Broomfield, Colorado 80021 (“**Bank**”), and (ii) **STEREOTAXIS, INC.**, a Delaware corporation and **STEREOTAXIS INTERNATIONAL, INC.**, a Delaware corporation, each with offices located at 4320 Forest Park Avenue, Suite 100, St. Louis, Missouri 63108 (individually and collectively, the “**Borrower**”), provides the terms on which Bank shall lend to Borrower and Borrower shall repay Bank. The parties agree as follows:

1 ACCOUNTING AND OTHER TERMS

(a) Borrower and Bank are parties to that certain Amended and Restated Loan and Security Agreement dated as of March 11, 2009 (as may be amended from time to time, the “**Domestic Agreement**”), together with related documents executed in conjunction therewith, (as may be amended from time to time, the “**Domestic Loan Documents**”).

(b) Borrower and Bank desire in this EXIM Agreement to set forth their agreement with respect to a working capital facility to be guaranteed by the EXIM Bank.

(c) Accounting terms not defined in this EXIM Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP. Capitalized terms not otherwise defined in this EXIM Agreement shall have the meanings set forth in Section 13 of the Domestic Agreement. All other terms contained in this EXIM Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein.

2 LOAN AND TERMS OF PAYMENT

2.1 Promise to Pay. Borrower hereby unconditionally, jointly and severally, promises to pay Bank the outstanding principal amount of all Credit Extensions and accrued and unpaid interest thereon as and when due in accordance with this EXIM Agreement.

2.1.1 Revolving Advances.

(a) Availability. Subject to the terms and conditions of this EXIM Agreement and to deduction of Reserves, Bank will make Advances to Borrower up to the Availability Amount. Amounts borrowed under the Revolving Line may be repaid, and prior to the Revolving Line Maturity Date, reborrowed, subject to the applicable terms and conditions precedent herein.

(b) Termination; Repayment. The Revolving Line terminates on the earlier of (i) the Revolving Line Maturity Date or (ii) the termination of the Domestic Revolving Line, when the principal amount of all Advances, the unpaid interest thereon, and all other Obligations relating to the Revolving Line shall be immediately due and payable.

2.2 Overadvances. If at any time or for any reason the total of all outstanding Advances and all other monetary Obligations exceeds the Availability Amount (such excess amount being an “**Overadvance**”), Borrower shall immediately pay the amount of the excess to Bank, without notice or demand. Without limiting Borrower’s obligation to repay to Bank the amount of any Overadvance, Borrower agrees to pay Bank interest on the outstanding amount of any Overadvance, on demand, at the Default Rate.

2.3 Payment of Interest on the Credit Extensions.

(a) Subject to Section 2.3(b), the principal amount outstanding under the Revolving Line shall accrue interest at a floating per annum rate equal to the greater of (X) the aggregate of the Prime Rate plus one and three-fourths of one percent (1.75%) and (Y) seven percent (7.00%), which interest shall be payable monthly, in arrears, in accordance with Section 2.3(f) below.

(b) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, Obligations shall bear interest at a rate per annum which is five percentage points (5.00%) above the rate effective immediately before the occurrence of the Event of Default (the “**Default Rate**”). Payment or acceptance of the increased interest rate provided in this Section 2.3(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Bank.

(c) Adjustment to Interest Rate. Changes to the interest rate of any Credit Extension based on changes to the Prime Rate shall be effective on the effective date of any change to the Prime Rate and to the extent of any such change.

(d) 360-Day Year. Interest shall be computed on the basis of a 360-day year for the actual number of days elapsed.

(e) Debit of Accounts. Bank may debit the Designated Deposit Account, for principal and interest payments or any other amounts Borrower owes Bank when due. These debits shall not constitute a set-off.

(f) Payment; Interest Computation; Float Charge. Interest is payable monthly on the last calendar day of each month. In computing interest on the Obligations, all payments received after 12:00 p.m. Eastern time on any day shall be deemed received on the next Business Day. In addition, in any month in which there are Advances made or outstanding under the Revolving Line, Bank shall be entitled to charge Borrower a “float” charge in an amount equal to one (1) Business Day’s interest, at the interest rate applicable to the Advances, on all payments received by Bank. The float charge for each month shall be payable on the last day of the month. Bank shall not be required to credit Borrower’s account for the amount of any item of payment which is unsatisfactory to Bank in its reasonable business judgment, and Bank may charge Borrower’s Designated Deposit Account for the amount of any item of payment which is returned to Bank unpaid.

2.4 Fees. Borrower shall pay to Bank:

(a) Commitment Fee. A fully earned, non-refundable commitment fee, payable on the Effective Date in accordance with the terms and conditions of the Domestic Agreement;

(b) Termination Fee. Subject to the terms of Section 12.1, a termination fee; and

(c) Bank Expenses. All Bank Expenses (including reasonable and documented attorneys’ fees and expenses for documentation and negotiation of this EXIM Agreement) incurred through and after the Effective Date, when due.

2.5 Use of Proceeds. Borrower will use the proceeds of the EXIM Advances only for the purposes specified in the EXIM Borrower Agreement. Borrower will not use the proceeds of the EXIM Advances for any purpose prohibited by the EXIM Borrower Agreement.

2.6 EXIM Guaranty. To facilitate the financing of Eligible EXIM Accounts, the EXIM Bank has agreed to guarantee the EXIM Loans made under this EXIM Agreement, pursuant to a Master Guarantee Agreement, Loan Authorization Agreement and (to the extent applicable) Delegated Authority Letter Agreement (collectively, the “**EXIM Guaranty**”). If, at any time after the EXIM Guaranty has been entered into by Bank, for any reason other than due to any action or inaction of Borrower under the EXIM Guaranty, (a) the EXIM Guaranty shall cease to be in full force and effect, or (b) if the EXIM Bank declares the EXIM Guaranty void or revokes any obligations thereunder or denies liability thereunder, Borrower shall immediately repay all outstanding Advances hereunder, and Borrower shall cash collateralize all issued and undrawn letters of credit issued by Bank, if any. If, at any time after the EXIM Guaranty has been entered into by Bank, for any reason other than as described in the foregoing sentence, (x) the EXIM Guaranty shall cease to be in full force and effect, or (y) the EXIM Bank declares the EXIM Guaranty void or revokes any obligations thereunder or denies liability thereunder, any such event shall constitute an Event of Default under this EXIM Agreement. Nothing in any confidentiality agreement, in this EXIM Agreement or in any other agreement, shall restrict Bank’s right to make disclosures and provide information to the EXIM Bank in connection with the EXIM Guaranty.

2.7 EXIM Borrower Agreement. Borrower shall execute and deliver a Borrower Agreement, in the form specified by the EXIM Bank (attached hereto as **Annex A**), in favor of Bank and the EXIM Bank, together with an amendment thereto approved by the EXIM Bank to conform certain terms of such Borrower Agreement to the terms of this EXIM Agreement (as amended, the “**EXIM Borrower Agreement**”). When the EXIM Borrower Agreement is entered into by Borrower and the EXIM Bank and delivered to Bank, this EXIM Agreement shall be subject to all of the terms and conditions of the EXIM Borrower Agreement, all of which are hereby incorporated herein by this reference. From and after the time Borrower and the EXIM Bank have entered into the EXIM Borrower Agreement and delivered the same to Bank, Borrower expressly agrees to perform all of the obligations and comply with all of the affirmative and negative covenants and all other terms and conditions set forth in the EXIM Borrower Agreement as though the same were expressly set forth herein. In the event of any conflict between the terms of the EXIM Borrower Agreement (if then in effect) and the other terms of this EXIM Agreement, whichever terms are more restrictive shall apply. Borrower acknowledges and agrees that it has received a copy of the Loan Authorization Agreement which is referred to in the EXIM Borrower Agreement. If the EXIM Borrower Agreement is entered into by Borrower and the EXIM Bank and delivered to Bank, Borrower agrees to be bound by the terms of the Loan Authorization Agreement, including, without limitation, by any additions or revisions made prior to its execution on behalf of EXIM Bank. Upon the execution of the Loan Authorization Agreement by EXIM Bank and Bank, it shall become an attachment to the EXIM Borrower Agreement. Borrower shall reimburse Bank for all fees and all out of pocket costs and expenses incurred by Bank with respect to the EXIM Guaranty and the EXIM Borrower Agreement, including, without limitation, all facility fees and usage fees, and Bank is authorized to debit any of Borrower’s deposit accounts with Bank for such fees, costs and expenses when paid by Bank.

3 CONDITIONS OF LOANS

3.1 Conditions Precedent to Initial Credit Extension. Bank’s obligation to make the initial Credit Extension is subject to the condition precedent that Bank shall have received, in form and substance satisfactory to Bank, such documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate, including, without limitation:

- (a) Borrower shall have delivered duly executed original signatures to the Loan Documents to which it is a party;
- (b) Borrower shall have delivered the Economic Impact Certification, Loan Authorization Notice and EXIM Bank Application Form;
- (c) Borrower shall have delivered duly executed original signatures to the completed Borrowing Resolutions for Borrower;
- (d) Borrower shall have delivered a legal opinion of Borrower’s counsel dated as of the Effective Date together with the duly executed original signatures thereto;
- (e) Borrower shall have paid the fees and Bank Expenses then due as specified in Section 2.4 hereof; and
- (f) Borrower shall have delivered all such other documents as Bank reasonably deems necessary or appropriate.

3.2 Conditions Precedent to all Credit Extensions. Bank’s obligations to make each Credit Extension, including the initial Credit Extension, is subject to the following:

- (a) timely receipt of any export purchase order and an EXIM Borrowing Base Certificate relating to the request;
- (b) except as otherwise provided in Section 3.4(a), timely receipt of an executed Transaction Report;
- (c) the representations and warranties in Section 5 shall be true in all material respects on the date of the Transaction Report and on the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects

as of such date, and no Default or Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in Section 5 remain true in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date;

(d) in Bank's sole discretion, since the date of this EXIM Agreement, there has not been any material impairment in the general affairs, management, results of operation, financial condition or the prospect of repayment of the Obligations, or there has not been any material adverse deviation by Borrower from the most recent business plan of Borrower presented to and accepted by Bank; and

(e) the EXIM Guaranty shall be in full force and effect.

3.3 Covenant to Deliver.

Borrower agrees to deliver to Bank each item required to be delivered to Bank under this EXIM Agreement as a condition to any Credit Extension. Borrower expressly agrees that the extension of a Credit Extension prior to the receipt by Bank of any such item shall not constitute a waiver by Bank of Borrower's obligation to deliver such item, and any such extension in the absence of a required item shall be in Bank's reasonable discretion.

3.4 Procedures for Borrowing. Subject to the prior satisfaction of all other applicable conditions to the making of an Advance set forth in this EXIM Agreement, to obtain an Advance, Borrower shall notify Bank (which notice shall be irrevocable) by electronic mail, facsimile, or telephone by 12:00 p.m. Eastern time on the Funding Date of the Advance. Together with such notification, Borrower must promptly deliver to Bank by electronic mail or facsimile a completed Transaction Report (if required) executed by a Responsible Officer or his or her designee. Bank shall credit Advances to the Designated Deposit Account. Bank may make Advances under this EXIM Agreement based on instructions from a Responsible Officer or his or her designee or without instructions if the Advances are necessary to meet Obligations which have become due. Bank may rely on any telephone notice given by a person whom Bank believes is a Responsible Officer or designee.

4 CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Borrower hereby grants Bank, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Bank, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof. Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral (subject only to Permitted Liens that may have superior priority to Bank's Lien under this EXIM Agreement). If Borrower shall acquire a commercial tort claim, Borrower shall promptly notify Bank in a writing signed by Borrower of the general details thereof and grant to Bank in such writing a security interest therein and in the proceeds thereof, all upon the terms of this EXIM Agreement, with such writing to be in form and substance reasonably satisfactory to Bank.

Notwithstanding the foregoing, it is expressly acknowledged and agreed that the security interest created in this EXIM Agreement in all of the Collateral (with the exception of Export-Related Accounts Receivable, Export-Related Inventory and Export-Related General Intangibles) is subject to and subordinate to the security interest granted to Bank in the Domestic Agreement and the security interest created in the Domestic Agreement with respect to such Export-Related Accounts Receivable, Export-Related Inventory and Export-Related General Intangibles is subject to and subordinate to the security interest granted to Bank in this EXIM Agreement with respect to such Export-Related Accounts Receivable, Export-Related Inventory and any Export-Related General Intangibles.

4.2 Authorization to File Financing Statements. Borrower hereby authorizes Bank to file financing statements, without notice to Borrower, with all appropriate jurisdictions to perfect or protect Bank's interest or rights hereunder, including a notice that any disposition of the Collateral, by either Borrower or any other Person, shall be deemed to violate the rights of Bank under the Code. Such financing statements may indicate the Collateral as "all assets of the Debtor" or words of similar effect, or as being of an equal or lesser scope, or with greater detail, all in Bank's discretion.

5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows:

5.1 Domestic Loan Documents. The representations and warranties contained in the Domestic Loan Documents, which are incorporated into this EXIM Agreement by reference, are true and correct, and shall survive the termination of the Domestic Agreement.

5.2 EXIM Borrower Agreement. The representations and warranties contained in the EXIM Borrower Agreement, which are incorporated by reference into this EXIM Agreement, are true and correct in all material respects.

5.3 Accounts Receivable.

(a) For each Account with respect to which Advances are requested, on the date each Advance is requested and made, such Account shall meet the Minimum EXIM Eligibility Requirements set forth in Section 13 below.

(b) All statements made and all unpaid balances appearing in all invoices, instruments and other documents evidencing the Accounts are and shall be true and correct and all such invoices, instruments and other documents, and all of Borrower's Books are genuine and in all respects what they purport to be. All sales and other transactions underlying or giving rise to each Account shall comply in all material respects with all applicable laws and governmental rules and regulations. Borrower has no knowledge of any actual or imminent Insolvency Proceeding of any Account Debtor whose accounts are an Eligible EXIM Account in any EXIM Borrowing Base Certificate. To Borrower's knowledge, all signatures and endorsements on all documents, instruments, and agreements relating to all Accounts are genuine, and all such documents, instruments and agreements are legally enforceable in accordance with their terms.

6 AFFIRMATIVE COVENANTS

Borrower shall do all of the following:

6.1 Domestic Loan Documents. Borrower shall comply in all material respects with the terms and provisions of the Domestic Loan Documents, which terms and provisions are incorporated into this EXIM Agreement and shall survive the termination of the Domestic Agreement, which shall include, without limitation, compliance with the financial reporting requirements set forth in the Domestic Agreement and the financial covenants set forth in the Domestic Agreement.

6.2 EXIM Borrower Agreement. Borrower shall comply with all of the terms of the EXIM Borrower Agreement, including without limitation, the delivery of an EXIM Borrowing Base Certificate within five (5) days after the end of each week (monthly, within five (5) days after the end of each month during a Streamline Period) any and all notices required pursuant to the EXIM Borrower Agreement. In the event of any conflict or inconsistency between any provision contained in the EXIM Borrower Agreement with any provision contained in this EXIM Agreement, the more strict provision, with respect to Borrower, shall control.

6.3 Accounts Receivable.

(a) Schedules and Documents Relating to Accounts. Borrower shall deliver to Bank transaction reports and schedules of collections, as provided in Section 6.2 of the Domestic Agreement, on Bank's standard forms; provided, however, that Borrower's failure to execute and deliver the same shall not affect or limit Bank's Lien and other rights in all of Borrower's Accounts, nor shall Bank's failure to advance or lend against a specific Account affect or limit Bank's Lien and other rights therein. If requested by Bank, Borrower shall furnish Bank with copies (or, at Bank's request, originals) of all contracts, orders, invoices, and other similar documents, and all shipping instructions, delivery receipts, bills of lading, and other evidence of delivery, for any goods the sale or disposition of which gave rise to such Accounts. In addition, Borrower shall deliver to Bank, on its request, the originals of all instruments, chattel paper, security agreements, guarantees and other documents and property evidencing or securing any Accounts, in the same form as received, with all necessary endorsements, and copies of all credit memos.

(b) Disputes. Borrower shall promptly notify Bank of all disputes or claims relating to Accounts. Borrower may forgive (completely or partially), compromise, or settle any Account for less than payment in full, or agree to do any of the foregoing so long as (i) Borrower does so in good faith, in a commercially reasonable manner, in the ordinary course of business, in arm's-length transactions, and reports the same to Bank in the regular reports provided to Bank; (ii) no Default or Event of Default has occurred and is continuing; and (iii) after taking into account all such discounts, settlements and forgiveness, the total outstanding Advances will not exceed the lesser of the Revolving Line or the aggregate EXIM Borrowing Base.

(c) Collection of Accounts. Borrower shall have the right to collect all Accounts, unless and until a Default or an Event of Default has occurred and is continuing. All payments on, and proceeds of, Accounts shall be deposited directly by the applicable Account Debtor into a lockbox account, or such other "blocked account" as Bank may specify, pursuant to a blocked account agreement in form and substance satisfactory to Bank in its sole discretion. Whether or not an Event of Default has occurred and is continuing, Borrower shall hold all payments on, and proceeds of, Accounts in trust for Bank, and Borrower shall promptly deliver all such payments and proceeds to Bank in their original form, duly endorsed, to be applied to the Obligations pursuant to the terms of Section 9.4 hereof; provided, that during a Streamline Period, such proceeds shall be transferred to Borrower's Designated Deposit Account after the Bank's ordinary processing thereof.

(d) Returns. Provided no Event of Default has occurred and is continuing, if any Account Debtor returns any Inventory to Borrower, Borrower shall promptly (i) determine the reason for such return, (ii) issue a credit memorandum to the Account Debtor in the appropriate amount, and (iii) provide a copy of such credit memorandum to Bank, upon request from Bank. In the event any attempted return occurs after the occurrence and during the continuance of any Event of Default, Borrower shall hold the returned Inventory in trust for Bank, and immediately notify Bank of the return of the Inventory.

(e) Verification. Bank may, from time to time, verify directly with the respective Account Debtors the validity, amount and other matters relating to the Accounts, either in the name of Borrower or Bank or such other name as Bank may choose.

(f) No Liability. Bank shall not be responsible or liable for any shortage or discrepancy in, damage to, or loss or destruction of, any goods, the sale or other disposition of which gives rise to an Account, or for any error, act, omission, or delay of any kind occurring in the settlement, failure to settle, collection or failure to collect any Account, or for settling any Account in good faith for less than the full amount thereof, nor shall Bank be deemed to be responsible for any of Borrower's obligations under any contract or agreement giving rise to an Account.

6.4 EXIM Insurance. If required by Bank, Borrower will obtain, and pay when due all premiums with respect to, and maintain uninterrupted foreign credit insurance. In addition, if requested by Bank, Borrower will execute in favor of Bank an assignment of proceeds of any insurance policy obtained by Borrower and issued by EXIM Bank insuring against comprehensive commercial and political risk (the "**EXIM Bank Policy**"). The insurance proceeds from the EXIM Bank Policy assigned or paid to Bank will be applied to the balance outstanding under this EXIM Agreement. Borrower will immediately notify Bank and EXIM Bank in writing upon submission of any claim under the EXIM Bank Policy.

6.5 Further Assurances. Execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank's Lien in the Collateral or to effect the purposes of this EXIM Agreement.

7 NEGATIVE COVENANTS

Borrower shall not do any of the following without Bank's prior written consent:

7.1 Domestic Loan Documents. Violate or otherwise fail to comply with any provisions of the Domestic Loan Documents, which provisions are incorporated into this EXIM Agreement by reference, and shall survive the termination of Domestic Agreement.

7.2 EXIM Borrower Agreement. Violate or otherwise fail to comply with any provision of the EXIM Borrower Agreement, including, without limitation, the negative covenants set forth therein.

7.3 EXIM Guaranty. Take any action, or permit any action to be taken, that causes or, with the passage of time, could cause, the EXIM Guaranty to cease to be in full force and effect.

8 EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an “**Event of Default**”) under this EXIM Agreement:

8.1 Payment Default. Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date, or (b) pay any other Obligations within three (3) days after such Obligations are due and payable (which three (3) day grace period shall not apply to payments due on the Maturity Date). During the cure period, the failure to cure the payment default is not an Event of Default (but no Credit Extension will be made during the cure period);

8.2 Covenant Default.

(a) Borrower fails or neglects to perform any obligation in 7; or

(b) Borrower fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this EXIM Agreement or any Loan Documents, and as to any default (other than those specified in this Section 8) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) day period or cannot after diligent attempts by Borrower be cured within such ten (10) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Credit Extensions shall be made during such cure period). Grace periods provided under this section shall not apply, among other things, to financial covenants or any other covenants set forth in subsection (a) above;

8.3 Insolvency. (a) Borrower is unable to pay its debts (including trade debts) as they become due or otherwise becomes insolvent; (b) Borrower begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower and not dismissed or stayed within thirty (30) days (but no Credit Extensions shall be made while of any of the conditions described in clause (a) exist and/or until any Insolvency Proceeding is dismissed);

8.4 Domestic Default. The occurrence of an Event of Default under the Domestic Loan Documents. The terms and provisions of Sections 6.2, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 6.10, 6.11, 6.13, 6.14 and Section 7 of the Domestic Agreement are hereby incorporated by reference and shall survive the termination of the Domestic Agreement.

8.5 EXIM Guaranty. If the EXIM Guaranty ceases for any reason to be in full force and effect, or if the EXIM Bank declares the EXIM Guaranty void or revokes any obligations under the EXIM Guaranty.

9 BANK’S RIGHTS AND REMEDIES

9.1 Rights and Remedies. While an Event of Default occurs and continues Bank may, without notice or demand, do any or all of the following to the extent not prohibited by applicable law:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.3 occurs all Obligations are immediately due and payable without any action by Bank);

(b) stop advancing money or extending credit for Borrower’s benefit under this EXIM Agreement or under any other agreement between Borrower and Bank;

(c) settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Bank considers advisable, notify any Person owing Borrower money of Bank’s security interest in such funds, and verify the amount of such account;

(d) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Bank requests and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank’s rights or remedies;

(e) apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) any amount held by Bank owing to or for the credit or the account of Borrower;

(f) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Bank is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's labels, patents, copyrights, mask works, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section, Borrower's rights under all licenses and all franchise agreements inure to Bank's benefit;

(g) place a "hold" on any account maintained with Bank and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(h) demand and receive possession of Borrower's Books; and

(i) exercise all rights and remedies available to Bank under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).

9.2 Power of Attorney. Borrower hereby irrevocably appoints Bank as its lawful attorney-in-fact, exercisable upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower's name on any checks or other forms of payment or security; (b) sign Borrower's name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Bank determines reasonable; (d) make, settle, and adjust all claims under Borrower's insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Bank or a third party as the Code permits. Borrower hereby appoints Bank as its lawful attorney-in-fact to sign Borrower's name on any documents necessary to perfect or continue the perfection of any security interest regardless of whether an Event of Default has occurred until all Obligations have been satisfied in full and Bank is under no further obligation to make Credit Extensions hereunder. Bank's foregoing appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Bank's obligation to provide Credit Extensions terminates.

9.3 Protective Payments. If Borrower fails to obtain the insurance called for by Section 6.4 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this EXIM Agreement or any other Loan Document, Bank may obtain such insurance or make such payment, and all amounts so paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then highest applicable rate, and secured by the Collateral. Bank will make reasonable efforts to provide Borrower with notice of Bank obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

9.4 Application of Payments and Proceeds. Unless an Event of Default has occurred and is continuing, Bank may apply any funds in its possession, whether from Borrower account balances, payments, or proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, first, to Bank Expenses, including without limitation, the reasonable costs, expenses, liabilities, obligations and attorneys' fees incurred by Bank in the exercise of its rights under this EXIM Agreement; second, to the interest due upon any of the Obligations; and third, to the principal of the Obligations and any applicable fees and other charges, in such order as Bank shall determine in its sole discretion. Any surplus shall be paid to Borrower or other Persons legally entitled thereto; Borrower shall remain liable to Bank for any deficiency. If an Event of Default has occurred and is continuing, Bank may apply any funds in its possession, whether from Borrower account balances, payments, proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, or otherwise, to the Obligations in such order as Bank shall determine in its sole discretion. Any surplus shall be paid to Borrower or to other Persons legally entitled thereto; Borrower shall remain liable to Bank for any deficiency. If Bank, in its good faith business judgment, directly or indirectly enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Bank shall have the option, exercisable at any time, of either reducing the Obligations by the principal amount of the purchase price or deferring the reduction of the Obligations until the actual receipt by Bank of cash therefor.

9.5 Bank's Liability for Collateral. So long as Bank complies with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of Bank, Bank shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 No Waiver; Remedies Cumulative. Bank's failure, at any time or times, to require strict performance by Borrower of any provision of this EXIM Agreement or any other Loan Document shall not waive, affect, or diminish any right of Bank thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by Bank and then is only effective for the specific instance and purpose for which it is given. Bank's rights and remedies under this EXIM Agreement and the other Loan Documents are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 Demand Waiver. Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

9.8 EXIM Direction. Upon the occurrence of an Event of Default, EXIM Bank shall have right to (i) direct Bank to exercise the remedies specified in Section 9.1 hereof and (ii) request that Bank accelerate the maturity of any other loans to Borrower.

9.9 EXIM Notification. Bank has the right to immediately notify EXIM Bank in writing if it has knowledge of any of the following events: (1) any failure to pay any amount due under this EXIM Agreement; (2) the EXIM Borrowing Base is less than the sum of the outstanding Credit Extensions; (3) any failure to pay when due any amount payable to Bank under any Loan Documents owing by Borrower to Bank; (4) the filing of an action for debtor's relief by, against or on behalf of Borrower; or (5) any threatened or pending material litigation against Borrower, or any material dispute involving Borrower.

If Bank sends a notice to EXIM Bank, Bank has the right to send EXIM Bank a written report on the status of events covered by the notice every thirty (30) days after the date of the original notification, until Bank files a claim with EXIM Bank or the defaults have been cured (but no EXIM Advances may be required during the cure period unless EXIM Bank gives its written approval). If directed by EXIM Bank, Bank will have the right to exercise any rights it may have against the Borrower to demand the immediate repayment of all amount outstanding under the EXIM Loan Documents.

10 NOTICES

All notices, consents, requests, approvals, demands, or other communication (collectively, "**Communication**"), other than Advance requests made pursuant to Section 3.4, by any party to this EXIM Agreement or any other Loan Document must be in writing and be delivered or sent by facsimile at the addresses or facsimile numbers listed below. Bank or Borrower may change its notice address by giving the other party written notice thereof. Each such Communication shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, registered or certified mail, return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by facsimile transmission (with such facsimile promptly confirmed by delivery of a copy by personal delivery or United States mail as otherwise provided in this Section 10); (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number indicated below. Advance requests made pursuant to Section 3.4 must be in writing and may be in the form of electronic mail, delivered to Bank by Borrower at the e-mail address of Bank provided below and shall be deemed to have been validly served, given, or delivered when sent (with such electronic mail promptly confirmed by delivery of a copy by personal delivery or United States mail as otherwise provided in this Section 10). Bank or Borrower may change its address, facsimile number, or electronic mail address by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to Borrower: StereoTaxis, Inc.
StereoTaxis International, Inc.
c/o Stereotaxis, Inc.
4320 Forest Park Avenue, Suite 100
St. Louis, Missouri 63108
Attn: Mr. Jim Stolze
Fax: (314) 615-6922
Email: Jim.Stolze@stereotaxis.com

If to Bank: Silicon Valley Bank
380 Interlocken Crescent
Suite 600
Broomfield, CO 80021
Attn: Mr. Adam Glick
Fax: (303) 469-9088
Email: aglick@svb.com

with a copy to: Riemer & Braunstein LLP
Three Center Plaza
Boston, Massachusetts 02108
Attn: Charles W. Stavros, Esquire
Fax: (617) 880-3456
Email: cstavros@riemerlaw.com

11 CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER

Illinois law governs the Loan Documents without regard to principles of conflicts of law. Borrower and Bank each submit to the exclusive jurisdiction of the State and Federal courts in Illinois; provided, however, that nothing in this EXIM Agreement shall be deemed to operate to preclude Bank from bringing suit or taking other legal action in any other jurisdiction to realize on the Collateral or any other security for the Obligations, or to enforce a judgment or other court order in favor of Bank. Borrower expressly submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby waives any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to Borrower at the address set forth in Section 10 of this EXIM Agreement and that service so made shall be deemed completed upon the earlier to occur of Borrower's actual receipt thereof or three (3) days after deposit in the U.S. mails, proper postage prepaid. NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH HEREINABOVE, BANK SHALL SPECIFICALLY HAVE THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST BORROWER OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION WHICH BANK DEEMS NECESSARY OR APPROPRIATE IN ORDER TO REALIZE ON THE COLLATERAL OR TO OTHERWISE ENFORCE BANK'S RIGHTS AGAINST BORROWER OR ITS PROPERTY.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AND BANK EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS EXIM AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS EXIM AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

12 GENERAL PROVISIONS

12.1 Termination Prior to Maturity Date. This EXIM Agreement may be terminated prior to the Revolving Line Maturity Date by Borrower, effective three (3) Business Days after written notice of termination is given to Bank or if Bank's obligation to fund Credit Extensions terminates pursuant to the terms of Section 2.1.1(b). Notwithstanding any such termination, Bank's lien and security interest in the Collateral shall continue until Borrower fully satisfies its Obligations. If such termination is at Borrower's election or at Bank's election due to the occurrence and continuance of an Event of Default, Borrower shall pay to Bank, in addition to the payment of any other expenses or fees then-owing, a termination fee in an amount equal to one percent (1.00%) of the Revolving Line (i.e. One Hundred Thousand Dollars (\$100,000)) (unless otherwise payable pursuant to Section 12.1 of the Domestic

Agreement); provided, that no termination fee shall be charged if the credit facility hereunder is replaced with a new facility from another division of Silicon Valley Bank. Upon payment in full of the Obligations and at such time as Bank's obligation to make Credit Extensions has terminated, Bank shall release its liens and security interests in the Collateral and all rights therein shall revert to Borrower.

12.2 Successors and Assigns. This EXIM Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this EXIM Agreement or any rights or obligations under it without Bank's prior written consent (which may be granted or withheld in Bank's discretion). Bank has the right, without the consent of or notice to Borrower, to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights, and benefits under this EXIM Agreement and the other Loan Documents.

12.3 Indemnification. Borrower agrees to indemnify, defend and hold Bank and its directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Bank harmless against: (a) all obligations, demands, claims, and liabilities (collectively, "**Claims**") asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses or Bank Expenses incurred, or paid by Bank from, following, or arising from transactions between Bank and Borrower (including reasonable attorneys' fees and expenses), except for Claims and/or losses directly caused by Bank's gross negligence or willful misconduct.

12.4 Time of Essence. Time is of the essence for the performance of all Obligations in this EXIM Agreement.

12.5 Severability of Provisions. Each provision of this EXIM Agreement is severable from every other provision in determining the enforceability of any provision.

12.6 Amendments in Writing; Integration. All amendments to this EXIM Agreement must be in writing signed by both Bank and Borrower. This EXIM Agreement and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this EXIM Agreement and the Loan Documents merge into this EXIM Agreement and the Loan Documents.

12.7 Counterparts. This EXIM Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, constitute one EXIM Agreement.

12.8 Survival. All covenants, representations and warranties made in this EXIM Agreement continue in full force until this EXIM Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this EXIM Agreement) have been satisfied. The obligation of Borrower in Section 12.3 to indemnify Bank shall survive until the statute of limitations with respect to such claim or cause of action shall have run.

12.9 Confidentiality. In handling any confidential information, Bank shall exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made: (a) to Bank's Subsidiaries or Affiliates; (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, Bank shall use commercially reasonable efforts to obtain such prospective transferee's or purchaser's agreement to the terms of this provision); (c) as required by law, regulation, subpoena, or other order; (d) to Bank's regulators or as otherwise required in connection with Bank's examination or audit; (e) as Bank considers appropriate in exercising remedies under the Loan Documents; and (f) to third-party service providers of Bank so long as such service providers have executed a confidentiality agreement with Bank with terms no less restrictive than those contained herein. Confidential information does not include information that either: (i) is in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain after disclosure to Bank; or (ii) is disclosed to Bank by a third party, if Bank does not know that the third party is prohibited from disclosing the information. Bank may use confidential information for any purpose, including, without limitation, for the development of client databases, reporting purposes, and market analysis, so long as Bank does not disclose Borrower's identity or the identity of any person associated with Borrower unless otherwise expressly permitted by this EXIM Agreement. The provisions of the immediately preceding sentence shall survive the termination of this EXIM Agreement.

12.10 Attorneys' Fees, Costs and Expenses. In any action or proceeding between Borrower and Bank arising out of or relating to the Loan Documents, Bank shall be entitled to recover its reasonable attorneys' fees and other costs and expenses incurred, in addition to any other relief to which it may be entitled.

12.11 Right of Set Off. Borrower hereby grants to Bank, a lien, security interest and right of set off as security for all Obligations to Bank, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Bank or any entity under the control of Bank (including a Bank subsidiary) or in transit to any of them. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Bank may set off the same or any part thereof and apply the same to any liability or obligation of Borrower even though unmaturing and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

12.12 EXIM Borrower Agreement; Cross-Collateralization; Cross-Default; Conflicts. Both this EXIM Agreement and the EXIM Borrower Agreement shall continue in full force and effect, and all rights and remedies under this EXIM Agreement and the EXIM Borrower Agreement are cumulative. The term "Obligations" as used in this EXIM Agreement and in the EXIM Borrower Agreement shall include without limitation the obligation to pay when due all loans made pursuant to the EXIM Borrower Agreement (the "EXIM Loans") and all interest thereon and the obligation to pay when due all Advances made pursuant to the terms of this EXIM Agreement and all interest thereon. Without limiting the generality of the foregoing, the security interest granted herein covering all "Collateral" as defined in this EXIM Agreement and as defined in the EXIM Borrower Agreement shall secure all EXIM Loans and all Advances and all interest thereon, and all other Obligations. Any Event of Default under this EXIM Agreement shall also constitute a default under the EXIM Borrower Agreement, and any default under the EXIM Borrower Agreement shall also constitute an Event of Default under this EXIM Agreement. In the event Bank assigns its rights under this EXIM Agreement and/or under any note evidencing EXIM Loans and/or its rights under the EXIM Borrower Agreement and/or under any note evidencing Advances, to any third party, including, without limitation, the EXIM Bank, whether before or after the occurrence of any Event of Default, Bank shall have the right (but not any obligation), in its sole discretion, to allocate and apportion Collateral to the EXIM Borrower Agreement and/or note assigned and to specify the priorities of the respective security interests in such Collateral between itself and the assignee, all without notice to or consent of the Borrower. Should any term of the EXIM Agreement conflict with any term of the EXIM Borrower Agreement, the more restrictive term in either agreement shall govern Borrower.

12.13 Borrower Liability. Either Borrower may, acting singly, request Credit Extensions hereunder. Each Borrower hereby appoints the other as agent for the other for all purposes hereunder, including with respect to requesting Credit Extensions hereunder. Each Borrower hereunder shall be jointly and severally obligated to repay all Credit Extensions made hereunder, regardless of which Borrower actually receives said Advance, as if each Borrower hereunder directly received all Credit Extensions. Each Borrower waives any suretyship defenses available to it under the Code or any other applicable law. Each Borrower waives any right to require Bank to: (i) proceed against any Borrower or any other person; (ii) proceed against or exhaust any security; or (iii) pursue any other remedy. Bank may exercise or not exercise any right or remedy it has against any Borrower or any security it holds (including the right to foreclose by judicial or non-judicial sale) without affecting any Borrower's liability. Notwithstanding any other provision of this EXIM Agreement or any other related document, each Borrower irrevocably waives all rights that it may have at law or in equity (including, without limitation, any law subrogating Borrower to the rights of Bank under this EXIM Agreement) to seek contribution, indemnification or any other form of reimbursement from any other Borrower, or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, for any payment made by Borrower with respect to the Obligations in connection with this EXIM Agreement or otherwise and all rights that it might have to benefit from, or to participate in, any security for the Obligations as a result of any payment made by Borrower with respect to the Obligations in connection with this EXIM Agreement or otherwise. Any agreement providing for indemnification, reimbursement or any other arrangement prohibited under this Section 12.13 shall be null and void. If any payment is made to a Borrower in contravention of this Section 12.13, such Borrower shall hold such payment in trust for Bank and such payment shall be promptly delivered to Bank for application to the Obligations, whether matured or unmatured.

13 DEFINITIONS

13.1 Definitions. Except as otherwise defined, terms that are capitalized in this EXIM Agreement shall have the meaning assigned in the Domestic Agreement. As used in this EXIM Agreement, the following terms have the following meanings:

“**Advance**” or “**Advances**” means an advance (or advances) under the Revolving Line.

“**Availability Amount**” is (a) the lesser of (i) the Revolving Line or (ii) the EXIM Borrowing Base minus (b) the outstanding principal balance of any Advances. In no event shall the aggregate amount of all Credit Extensions under this EXIM Agreement outstanding at any time together with all other Credit Extensions (as defined in the Domestic Agreement) under the Domestic Agreement (other than outstanding principal under the Equipment Line) exceed \$25,000,000.

“**Bank**” is defined in the preamble hereof.

“**Borrower**” is defined in the preamble hereof.

“**Credit Extension**” is any Advance or any other extension of credit by Bank for Borrower’s benefit.

“**Default Rate**” is defined in Section 2.3(b).

“**Domestic Agreement**” is defined in Section 1.1(a).

“**Domestic Loan Documents**” is defined in Section 1.1(a).

“**Domestic Revolving Line**” means the Revolving Line, as such term is defined in the Domestic Agreement.

“**Effective Date**” is the date Bank executes this EXIM Agreement and as indicated on the signature page hereof.

“**Eligible EXIM Accounts**” means Accounts arising in the ordinary course of Borrower’s business from Non-U.S. Account Debtors and that meet all Borrower’s representations and warranties in Section 5.3, conform in all respects to the EXIM Borrower Agreement, and which Bank, in its good faith business judgment, shall deem eligible for borrowing. Without limiting the fact that the determination of which Accounts are eligible for borrowing is a matter of Bank’s good faith business judgment, the following (the “**Minimum EXIM Eligibility Requirements**”) are the minimum requirements for an Account to be an Eligible EXIM Account. Eligible EXIM Accounts shall not include:

- (a) Accounts for which the Account Debtor has not been invoiced or where goods or services have not yet been rendered to the Account Debtor (sometimes called memo billings or pre-billings);
- (b) Accounts that the Account Debtor has not paid within one hundred twenty (120) days of invoice date;
- (c) Accounts owing from an Account Debtor, fifty percent (50%) or more of whose Accounts have not been paid within one hundred twenty (120) days of invoice date;
- (d) Accounts with credit balances over one hundred twenty (120) days from invoice date;
- (e) Accounts owing from a non-U.S. Account Debtor, including Affiliates, whose total obligations to Borrower exceed twenty-five (25%) of all Accounts for such non-U.S. Account Debtor, for the amounts that exceed that percentage, unless Bank approves in writing;
- (f) Accounts subject to contractual arrangements between Borrower and an Account Debtor where payments shall be scheduled or due according to completion or fulfillment requirements where the Account Debtor has a right of offset for damages suffered as a result of Borrower’s failure to perform in accordance with the contract (sometimes called contracts accounts receivable, progress billings, milestone billings, or fulfillment contracts);

- (g) Accounts owing from a non-U.S. Account Debtor the amount of which may be subject to withholding based on the non-U.S. Account Debtor's satisfaction of Borrower's complete performance (but only to the extent of the amount withheld; sometimes called retainage billings);
- (h) Accounts owing from a non-U.S. Account Debtor with whom Borrower has any dispute (whether or not relating to the particular Account) but only up to the disputed amount;
- (i) Accounts owing from a non-U.S. Account Debtor to the extent that Borrower is indebted or obligated in any manner to the non-U.S. Account Debtor (as creditor, lessor, supplier or otherwise—sometimes called "contra" accounts, accounts payable, customer deposits or credit accounts), with the exception of customary credits, adjustments and/or discounts given to a non-U.S. Account Debtor by Borrower in the ordinary course of its business;
- (j) Accounts owing from a non-U.S. Account Debtor which is Borrower's Affiliate, officer, employee, or agent;
- (k) Accounts owing from a non-U.S. Account Debtor which is subject to any insolvency or bankruptcy proceeding, or whose financial condition is not acceptable to Bank, or which, fails or goes out of a material portion of its business;
- (l) Accounts owing from a non-U.S. Account Debtor affiliated with any military organization or arise from the sale or licensing of goods or provision of services related to the defense industry;
- (m) Accounts owing from a non-U.S. Account Debtor located in countries where the EXIM Bank is legally prohibited from doing business or in which EXIM Bank coverage is not available (as designated by the EXIM Bank's most recent Country Limitation Schedule);
- (n) Accounts billed in currencies other than in U.S. Dollars, unless otherwise approved by the EXIM Bank;
- (o) Accounts backed by letters of credit that are unacceptable to Bank in its sole discretion;
- (p) Accounts backed by a letter of credit but where the goods covered have not yet been shipped or where the services covered have not yet been provided;
- (q) Accounts billed and payable outside of the United States, unless otherwise approved by the EXIM Bank;
- (r) Accounts owing from a non-U.S. Account Debtor to whom Borrower is or may be liable for goods purchased from such non-U.S. Account Debtor or otherwise (but, in such case, the Account will be deemed not eligible only to the extent of any amounts owed by Borrower to such non-U.S. Account Debtor);
- (s) Accounts as to which Bank does not have a valid, perfected first priority lien;
- (t) Accounts for which the items giving rise to such Account have not been shipped and delivered to the non-U.S. Account Debtor or the services giving rise to such Account have not been performed by Borrower or the Account does not represent a final sale of goods or services;
- (u) Accounts for which Borrower has made any agreement with the non-U.S. Account Debtor for any deduction therefrom except for discounts or allowances made in the ordinary course of business for prompt payment, all of which discounts or allowances are reflected in the calculation of the face value of each respective invoice related thereto;
- (v) Accounts arising from items to be used in the construction, alteration, operation, or maintenance of nuclear power, enrichment, reprocessing, research or heavy water production facilities;
- (w) Accounts which are not Eligible Export-Related Accounts Receivable; and
- (x) Accounts not owned by the Borrower or Accounts subject to any Liens, except for Permitted Liens and the Liens granted to or in favor of Bank under this EXIM Agreement or any of the other Loan Documents.

“**Eligible Export Inventory**” is Borrower’s Eligible Inventory (as such term is defined in the Domestic Agreement) intended for shipment outside the U.S. that is not:

- (a) subject to any Liens, except the Liens granted to or in favor of Bank under this Agreement or any of the other Loan Documents;
- (b) deemed perishable, obsolete, not sellable, damaged, or defective by Bank;
- (c) otherwise deemed unacceptable by Bank, in its good faith business judgment;
- (d) located outside of the United States;
- (e) located at an address that has not been disclosed in the Perfection Certificate or other location disclosed to Bank pursuant to this Agreement;
- (f) demonstration Inventory or Inventory sold on consignment;
- (g) Inventory used for defense or military purposes;
- (h) proprietary software (i.e., software not intended for resale);
- (i) Inventory which is returned or unfit for further processing;
- (j) Inventory which is destined for shipment to non-U.S. Account Debtor in a country where the EXIM Bank is legally prohibited from doing business or in which insurance coverage provided by the EXIM Bank is not available as designated in the EXIM Bank’s most recent Country Limitation Schedule;
- (k) Inventory which has been previously exported from the United States;
- (l) Inventory which is to be incorporated into items whose sale would not result in an Eligible EXIM Account; and
- (m) Inventory which is to be incorporated into items destined for shipment to an Account Debtor located in a country in which EXIM Bank coverage is not available as designated in the EXIM Bank’s most recent Country Limitation Schedule, unless and only to the extent that such items are to be sold to an Account Debtor located in such a country on terms of a letter of credit by a bank acceptable to the EXIM Bank.

“**Eligible Export-Related Accounts Receivable**” is defined in the EXIM Borrower Agreement.

“**Event of Default**” is defined in Section 8.

“**EXIM Bank**” means Export-Import Bank of the United States.

“**EXIM Borrower Agreement**” is defined in Section 2.6.

“**EXIM Borrowing Base**” is (a) ninety percent (90%) of Hedged Eligible EXIM Accounts plus (b) seventy percent (70%) of all other Eligible EXIM Accounts plus (c) the lesser of sixty-five percent (65%) of the value of Eligible Export Inventory (valued at the lower of cost or wholesale fair market value) or Two Million Dollars (\$2,000,000); in each case as determined by Bank from Borrower’s most recent EXIM Borrowing Base Certificate; provided, however, that Bank may decrease the foregoing amounts and/or percentages in its good faith business judgment based on events, conditions, contingencies, or risks which, as determined by Bank, may adversely affect Collateral.

“**EXIM Borrowing Base Certificate**” is that certain certificate describing the calculation of the EXIM Borrowing Base, provided to Borrower by Bank.

“**EXIM Guaranty**” is defined in Section 2.5.

“**EXIM Loans**” is defined in Section 12.13.

“**EXIM Note**” is a certain Promissory Note of even date executed by Borrower in connection with this EXIM Agreement.

“**Export-Related Accounts Receivable**” is defined in the EXIM Borrower Agreement.

“**Export-Related General Intangibles**” is defined in the EXIM Borrower Agreement.

“**Export-Related Inventory**” is defined in the EXIM Borrower Agreement.

“**Foreign Currency Hedge Agreement**”: any agreement with respect to any swap, hedge, forward, future or derivative transaction or option or similar other similar agreement or arrangement, each of which is (i) for the purpose of hedging the foreign currency fluctuation exposure associated with Borrower’s operations and Accounts, (ii) acceptable to Bank, in its reasonable discretion, and (iii) not for speculative purposes.

“**Hedged Eligible EXIM Accounts**” are Eligible EXIM Accounts in which either (i) all invoices are denominated in Dollars, or (ii) all invoices are in foreign currencies that are subject to a Foreign Currency Hedge Agreement.

“**Loan Documents**” are, collectively, this EXIM Agreement, the Perfection Certificate, the Subordination Agreement, the Domestic Agreement, the Domestic Loan Documents, the EXIM Borrower Agreement, the EXIM Guaranty, the EXIM Note, any note, or notes or guaranties executed by Borrower or any Guarantor, and any other present or future agreement between Borrower any Guarantor and/or for the benefit of Bank in connection with this EXIM Agreement, all as amended, restated, or otherwise modified.

“**Minimum EXIM Eligibility Requirements**” is defined in the defined term “Eligible EXIM Accounts”.

“**Obligations**” are Borrower’s obligation to pay when due any debts, principal, interest, Bank Expenses and other amounts Borrower owes Bank now or later, whether under this EXIM Agreement, the Domestic Agreement, the other Loan Documents, or otherwise, including, without limitation, all obligations relating to letters of credit, cash management services, if any, and foreign exchange contracts, if any, and including interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank, and the performance of Borrower’s duties under the Loan Documents.

“**Perfection Certificate**” is defined in Section 5.1.

“**Prime Rate**” is the Bank’s most recently announced “prime rate,” even if it is not Bank’s lowest rate.

“**Revolving Line**” is an Advance or Advances in an aggregate amount of up to Ten Million Five Hundred Thousand Dollars (\$10,000,000) outstanding at any time.

“**Revolving Line Maturity Date**” is March 31, 2010.

“**Transfer**” is defined in Section 7.1.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this EXIM Agreement to be executed as of the Effective Date.

BORROWER:

STEREOTAXIS, INC.

By _____
Name: _____
Title: _____

STEREOTAXIS INTERNATIONAL, INC.

By _____
Name: _____
Title: _____

BANK:

SILICON VALLEY BANK

By /s/ Adam Glick
Name: Adam Glick
Title: Relationship Manager

Effective Date: March 11, 2009

[Signature page to EXIM Loan and Security Agreement]

EXHIBIT A

The Collateral consists of all of Borrower's right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles (except as provided below), commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

all Borrower's Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include any of the following, whether now owned or hereafter acquired: any copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, and the goodwill of the business of Borrower connected with and symbolized thereby, know-how, operating manuals, trade secret rights, rights to unpatented inventions, and any claims for damage by way of any past, present, or future infringement of any of the foregoing; provided, however, the Collateral shall include all Accounts, license and royalty fees and other revenues, proceeds, or income arising out of or relating to any of the foregoing.

Pursuant to the terms of a certain negative pledge arrangement with Bank, Borrower has agreed not to encumber any of its copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, and the goodwill of the business of Borrower connected with and symbolized thereby, know-how, operating manuals, trade secret rights, rights to unpatented inventions, and any claims for damage by way of any past, present, or future infringement of any of the foregoing, without Bank's prior written consent.

BORROWER AGREEMENT

CONFIDENTIAL

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

This Agreement is made by and between Stereotaxis, Inc., a Delaware corporation (hereinafter “Company”), and Eric N. Prystowsky, MD (hereinafter “Consultant”).

WHEREAS, Consultant is practicing at 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 fields of remote, computer-controlled or assisted navigation and delivery of interventional disposable devices, with or without the use of magnetic devices or systems, and related interventional workstations, used in or with interventional medical procedures (hereinafter “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. Services.

1.1 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 1.1 are described in greater detail on **Schedule 1.1**, incorporated herein by reference.

1.2 Consultant shall participate as a member and Chairman of the Scientific Advisory Board (hereinafter, “Advisory Board”) and use his best efforts to attend Advisory Board meetings at least one (1) time per year.

PT 11-08SABm

_____/s/ MPK_____
_____/s/ PAT_____
_____/s/ ENP_____

2. **Consideration.**

2.1 In consideration for the consulting, advisory, development, and research services provided by Consultant under Section 1 hereof at the specific request of the Company, 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, for all services provided at the specific request of the Company (Section 1.0), provided, however, that any time spent by Consultant 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.

(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 \$800.00, and, upon payment for the applicable quarter, the Company shall inform Consultant, in writing (in accordance with Section 14.0), that the service requirements for the given period have not been met and pro rata adjustments have been made.

(ii) Documented time spent (Section 2.1(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 is appropriate.

(iii) Outstanding remuneration for services completed under the prior agreement with Consultant as amended 1 July 2005 (hereinafter “Prior Agreement”) and compensated as monthly installments pursuant to the Prior Agreement shall be carried forward under the quarterly remuneration schedule provided for hereunder as outlined in this Section 2.1(a).

(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 2 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 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 30 days following receipt of such reports or otherwise in accordance with the Company’s standard payment cycle.

2.2 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.

____/s/ MPK____
____/s/ PAT____
____/s/ ENP____

2.3 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 2.3).

2.4 (a) The Company and Consultant acknowledge and agree that the consideration set forth in this Section 2 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 2.4, 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 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. If the parties in good faith cannot agree on a necessary amendment under this Section 2.4 within thirty (30) days of the Triggering Event, then this Agreement shall terminate without further action on the 30th day.

3. **Term.**

3.1 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 20.0 of the Agreement, and executed prior to the end of the then current Initial or Renewal Term.**

3.2 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

_____/s/ MPK_____
_____/s/ PAT_____
_____/s/ ENP_____

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 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 3.2(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 of 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 transactions (as reasonably determined by the Company).

3.3 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.

4. Certain Other Contracts.

4.1 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.

____/s/ MPK____
____/s/ PAT____
____/s/ ENP____

4.2 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.

4.3 Consultant has disclosed on the attached **Schedule 4.3** 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.

5. **Exclusive Services During The Term.** Consultant agrees that during the Term of this Agreement and for a period ending one year after the expiration or earlier termination of this Agreement pursuant to Section 3 or otherwise, he will not directly or indirectly either (i) 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 (ii) participate in the formation of any business or commercial entity which competes with the Company in the Field of Interest.

6. **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”).

7. **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 7 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

_____/s/ MPK_____
_____/s/ PAT_____
_____/s/ ENP_____

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.

8. Health Information

8.1 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 the 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 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.

8.2 Based on the Institution's internal operating procedures and/or regulations, Consultant assumes all responsibility to determine if any Institutional Review Board [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.

____/s/ MPK____
____/s/ PAT____
____/s/ ENP____

9. **Confidentiality.**

9.1 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.

9.2 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.

9.3 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.

9.4 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 9.5 below.

9.5 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 9, and will reasonably cooperate with the Company in any efforts to secure confidential treatment of such Confidential Information required to be disclosed.

9.6 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 9 for a period of four (4) years after the expiration or termination of this Agreement.

10. **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.

11. **Use of Name.**

11.1 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.

11.2 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 11.2 will be deemed to be non-commercial uses.

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

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

(i) 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

(ii) 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.

12.2 *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.

_____/s/ MPK_____
_____/s/ PAT_____
_____/s/ ENP_____

13. **Disclosures.**

13.1 *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.

13.2 *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.

14. **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

In the case of Consultant:

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

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

15. **Independent Contractor: Withholding.** Consultant will at all times 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.

16. **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.

17. **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.

18. **Remedies.** Consultant acknowledges that the Company would have no adequate remedy at law to enforce Sections 5, 7, and 9 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.

19. **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.

19.1 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.

19.2 Upon written notice received, either party hereto shall have a reasonable period of time (but in no event to exceed 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.

____/s/ MPK____
____/s/ PAT____
____/s/ ENP____

20. **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, 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 consulting 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.

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 26, 2009, or the last date on which this Agreement is signed by the parties (the "Effective Date").

STEREOTAXIS, INC.

BY: /s/ Michael P. Kaminski
Name: Michael P. Kaminski
Title: Chief Executive Officer

Compliance: /s/ Peter A. Takes
Name: Peter A. Takes, Ph.D., RAC
Title: Clinical Compliance Officer

DATED: February 25, 2009

DATED: February 25, 2009
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: February 25, 2009

 /s/ MPK
 /s/ PAT
 /s/ ENP

**SCHEDULE 1.1 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 development 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 new therapy into a practical clinical solution, and shall assist the Company in developing disposable devices related thereto.

B. Throughout this arrangement, the Company will be responsible for implementing the designs and for coordinating all aspects of the development 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 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.

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 4.3 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".]

PT 11-08SABm

Page 14 of 16

____/s/ MPK____
____/s/ PAT____
____/s/ ENP____

**EXHIBIT A
Form Time Record**

NAME: _____ (Physician's Name)

MONTH: _____, 200__

Narrative Description of Consulting Duties
(provide reasonably detailed description of consulting activities) _____

Date/Time*
(Indicate actual working hours) _____

Total # hours

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.

10. TOTAL

*e.g., June 15, 2005—2:00 p.m. to 4:15 p.m.

[Attach additional sheets if necessary]

Physician _____

Date _____

_____/s/ MPK_____
_____/s/ PAT_____
_____/s/ ENP_____

**Request for Taxpayer
 Identification Number and Certification**

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

Print or type name
 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:

- 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
- 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
- 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:

- Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
- Certify that you are not subject to backup withholding, or
- 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:

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

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 11, 2009

/s/ Michael P. Kaminski

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

Certification of Principal Financial Officer

I, James M. Stolze, certify that:

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

Date: May 11, 2009

/s/ JAMES M. STOLZE

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

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

In connection with the quarterly report of Stereotaxis, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2008 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:

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

Date: May 11, 2009

/s/ Michael P. Kaminski

Michael P. Kaminski
Chief Executive Officer
Stereotaxis, Inc.

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

In connection with the quarterly report of Stereotaxis, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James M. Stolze, Vice President and Chief Financial Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 11, 2009

/s/ JAMES M. STOLZE

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