REFINITIV

DELTA REPORT

10-Q

STXSR - STEREOTAXIS, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	646
CHANGES	178
DELETIONS	252
ADDITIONS	216

REFINITIV

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

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, MARCH 31, 2023 2024

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 001-36159

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

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

710 North Tucker Boulevard, Suite 110
St. Louis, MO 63101
(Address of Principal Executive Offices including Zip Code)

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

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

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

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

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

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

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

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

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

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

The number of outstanding shares of the registrant's common stock on October 31, 2023 April 30, 2024, was 80,884,561 82,643,243.

STEREOTAXIS, INC.
INDEX TO FORM 10-Q

ITEM 1. FINANCIAL STATEMENTS
STEREOTAXIS, INC.
BALANCE SHEETS

(in thousands, except share amounts)	September 30, 2023 (Unaudited)	December 31, 2022	March 31, 2024 (Unaudited)	December 31, 2023
Assets				
Current assets:				
Cash and cash equivalents	$ 22,100	$ 8,586	$ 17,633	$ 19,818
Restricted cash - current	525	525	525	525
Short-term investments	-	19,844		
Accounts receivable, net of allowance of $596 and $235 at 2023 and 2022, respectively	5,246	5,090		
Accounts receivable, net of allowance of $609 and $672 at 2024 and 2023, respectively			3,953	3,822
Inventories, net	6,788	7,876	8,252	8,426
Prepaid expenses and other current assets	855	1,325	845	676
Total current assets	35,514	43,246	31,208	33,267
Property and equipment, net	3,443	3,831	3,164	3,304
Restricted cash	350	744	88	219
Operating lease right-of-use assets	5,086	5,384	4,876	4,982
Prepaid and other non-current assets	135	208	116	137
Total assets	$ 44,528	$ 53,413	$ 39,452	$ 41,909
Liabilities and stockholders' equity				
Current liabilities:				
Accounts payable	$ 3,243	$ 3,270	$ 3,307	$ 3,190
Accrued liabilities	3,160	3,306	3,164	2,972
Deferred revenue	6,216	7,342	5,938	6,657
Current portion of operating lease liabilities	413	373	443	428
Total current liabilities	13,032	14,291	12,852	13,247
Long-term deferred revenue	1,982	1,654	1,581	1,637
Operating lease liabilities	5,173	5,488	4,945	5,062
Other liabilities	43	51	43	43
Total liabilities	20,230	21,484	19,421	19,989
Series A - Convertible preferred stock:				
Convertible preferred stock, Series A, par value $0.001; 22,383 shares outstanding at 2023 and 2022	5,583	5,583		
Convertible preferred stock, Series A, par value $0.001; 10,000,000 shares authorized, 21,908 and 22,358 shares outstanding at 2024 and 2023			5,464	5,577
Stockholders' equity:				
Convertible preferred stock, Series B, par value $0.001; 10,000,000 shares authorized, 5,610,121 shares outstanding at 2022	-	6		
Common stock, par value $0.001; 300,000,000 shares authorized, 80,873,295 and 74,874,459 shares issued at 2023 and 2022, respectively	81	75		
Common stock, par value $0.001; 300,000,000 shares authorized, 82,132,777 and 80,949,697 shares issued at 2024 and 2023, respectively			82	81
Additional paid in capital	551,480	543,438	556,878	554,148
Treasury stock, 4,015 shares at 2023 and 2022	(206)	(206)		
Treasury stock, 4,015 shares at 2024 and 2023			(206)	(206)
Accumulated deficit	(532,640)	(516,967)	(542,187)	(537,680)
Total stockholders' equity	18,715	26,346	14,567	16,343

Total liabilities and stockholders’ equity	$ 44,528	$ 53,413	$ 39,452	$ 41,909

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except share and per share amounts)	2023	2022	2023	2022	2024	2023
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
(in thousands, except share and per share amounts)	2023	2022	2023	2022	2024	2023
Revenue:						
Systems	$ 3,539	$ 2,413	$ 8,673	$ 4,649	$ 2,612	$ 1,821
Disposables, service and accessories	4,260	5,244	13,533	16,197	4,268	4,727
Total revenue	7,799	7,657	22,206	20,846	6,880	6,548
Cost of revenue:						
Systems	2,909	2,016	7,309	3,817	1,900	1,697
Disposables, service and accessories	831	1,074	2,775	2,868	1,014	975
Total cost of revenue	3,740	3,090	10,084	6,685	2,914	2,672
Gross margin	4,059	4,567	12,122	14,161	3,966	3,876
Operating expenses:						
Research and development	2,668	2,818	8,061	8,158	2,243	2,746
Sales and marketing	3,097	3,111	9,585	9,337	3,003	3,148
General and administrative	3,933	3,690	11,011	10,986	3,466	3,601
Total operating expenses	9,698	9,619	28,657	28,481	8,712	9,495
Operating loss	(5,639)	(5,052)	(16,535)	(14,320)	(4,746)	(5,619)
Other income	-	-	27	-		
Interest income, net	270	135	835	182	239	272
Net loss	$ (5,369)	$ (4,917)	$ (15,673)	$ (14,138)	$ (4,507)	$ (5,347)
Cumulative dividend on convertible preferred stock	(338)	(339)	(1,004)	(1,005)	(331)	(331)
Net loss attributable to common stockholders	$ (5,707)	$ (5,256)	$ (16,677)	$ (15,143)	$ (4,838)	$ (5,678)
Net loss per share attributable to common stockholders:						
Basic	$ (0.07)	$ (0.07)	$ (0.21)	$ (0.20)	$ (0.06)	$ (0.07)
Diluted	$ (0.07)	$ (0.07)	$ (0.21)	$ (0.20)	$ (0.06)	$ (0.07)
Weighted average number of common shares and equivalents:						
Basic	82,468,971	76,100,007	80,028,243	75,977,920	83,476,498	76,500,965
Diluted	82,468,971	76,100,007	80,028,243	75,977,920	83,476,498	76,500,965

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY
(Unaudited)
Three Months Ended September 30, 2022

(in thousands, except share amounts)	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Amount	Amount	Amount	Amount
Balance at June 30, 2022	22,386	$ 5,584	5,610,121	$ 6	74,686,056	$ 75	$ 537,963	$ (206)	$ (507,897)	$ 29,941
Stock issued for the exercise of stock options					31,437		22			22
Stock-based compensation					100,027		2,695			2,695
Components of net loss									(4,917)	(4,917)
Employee stock purchase plan					14,758		26			26
Balance at September 30, 2022	22,386	$ 5,584	5,610,121	$ 6	74,832,278	$ 75	$ 540,706	$ (206)	$ (512,814)	$ 27,767

Three Months Ended September 30, 2023 March 31, 2023

(in thousands, except share amounts)	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Amount	Amount	Amount	Amount
Balance at December 31, 2022	22,383	$ 5,583	5,610,121	$ 6	74,874,459	$ 75	$ 543,438	$ (206)	$ (516,967)	$ 26,346
Stock issued for the exercise of stock options					29,188		33			33
Stock-based compensation					144,054		2,655			2,655
Components of net loss									(5,347)	(5,347)
Employee stock purchase plan					11,798		23			23
Balance at March 31, 2023	22,383	$ 5,583	5,610,121	$ 6	75,059,499	$ 75	$ 546,149	$ (206)	$ (522,314)	$ 23,710

Three Months Ended March 31, 2024

(in thousands, except share amounts)	Convertible Preferred Stock Series A (Mezzanine)		Convertible Preferred Stock Series B		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity (Deficit)	Convertible Preferred Stock Series A (Mezzanine)	
	Shares	Amount	Shares	Amount	Shares	Amount	Amount	Amount	Amount	Amount	Shares	Amount
Balance at June 30, 2023	22,383	$ 5,583	-	$ -	80,682,586	$ 81	$ 548,782	$ (206)	$ (527,271)	$ 21,386		
Balance at December 31, 2023											22,358	$ 5,577
Balance											22,358	$ 5,577
Stock issued for the exercise of stock options					1,000		1			1		
Stock-based compensation					172,592		2,672			2,672		
Components of net loss									(5,369)	(5,369)		
Employee stock purchase plan					17,117		25			25		
Balance at September 30, 2023	22,383	$ 5,583	-	$ -	80,873,295	$ 81	$ 551,480	$ (206)	$ (532,640)	$ 18,715		
Preferred stock conversion											(450)	(113)
Balance at March 31, 2024											21,908	$ 5,464
Balance											21,908	$ 5,464

See accompanying notes.

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

Nine Months Ended September 30, 2022

(in thousands, except share amounts)	**Convertible Preferred Stock Series A (Mezzanine)**		**Convertible Preferred Stock Series B**		**Common Stock**		**Additional Paid-In Capital**	**Treasury Stock**	**Accumulated Deficit**	**Total Stockholders' Equity (Deficit)**
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Amount**	**Amount**	**Amount**	**Amount**
Balance at December 31, 2021	22,387	$ 5,584	5,610,121	$ 6	74,618,240	$ 75	$ 532,641	$ (206)	$ (498,676)	$ 33,840
Stock issued for the exercise of stock options					71,960		67			67
Stock-based compensation					110,726		7,906			7,906
Components of net loss									(14,138)	(14,138)
Employee stock purchase plan					29,327		92			92
Preferred stock conversion	(1)				2,025					-
Balance at September 30, 2022	22,386	$ 5,584	5,610,121	$ 6	74,832,278	$ 75	$ 540,706	$ (206)	$ (512,814)	$ 27,767

Nine Months Ended September 30, 2023

(in thousands, except share amounts)	**Convertible Preferred Stock Series A (Mezzanine)**		**Convertible Preferred Stock Series B**		**Common Stock**		**Additional Paid-In Capital**	**Treasury Stock**	**Accumulated Deficit**	**Total Stockholders' Equity (Deficit)**
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Amount**	**Amount**	**Amount**	**Amount**
Balance at December 31, 2022	22,383	$ 5,583	5,610,121	$ 6	74,874,459	$ 75	$ 543,438	$ (206)	$ (516,967)	$ 26,346
Stock issued for the exercise of stock options					30,384		(18)			(18)
Stock-based compensation					316,646		7,987			7,987
Components of net loss									(15,673)	(15,673)
Employee stock purchase plan					41,685		73			73
Preferred stock conversion			(5,610,121)	(6)	5,610,121	6				-
Balance at September 30, 2023	22,383	$ 5,583	-	$ -	80,873,295	$ 81	$ 551,480	$ (206)	$ (532,640)	$ 18,715

(in thousands)	**Three Months Ended March 31, 2024**	**2023**
Cash flows from operating activities		
Net loss	$ (4,507)	$ (5,347)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	140	160
Non-cash lease expense	3	7
Stock-based compensation	2,589	2,655
Accretion and short-term investment discount	-	(197)
Changes in operating assets and liabilities:		
Accounts receivable	(131)	216
Inventories	174	(97)
Prepaid expenses and other current assets	(169)	(7)
Other assets	21	24
Accounts payable	117	563
Accrued liabilities	192	(1,547)
Deferred revenue	(775)	768
Net cash used in operating activities	(2,346)	(2,802)
Cash flows from investing activities		
Purchase of property and equipment	-	(349)
Net cash used in investing activities	-	(349)
Cash flows from financing activities		
Proceeds from issuance of stock, net of issuance costs	30	56
Net cash provided by financing activities	30	56
Net decrease in cash, cash equivalents, and restricted cash	(2,316)	(3,095)
Cash, cash equivalents, and restricted cash at beginning of period	20,562	9,855
Cash, cash equivalents, and restricted cash at end of period	$ 18,246	$ 6,760
Supplemental disclosure of cash flow information:		
Purchase of property and equipment included in accounts payable	$ -	$ 15
Reconciliation of cash, cash equivalents, and restricted cash to balance sheet as of March 31st:		
Cash and cash equivalents	$ 17,633	$ 5,623
Restricted cash - current	525	525
Restricted cash	88	612
Total cash, cash equivalents, and restricted cash	$ 18,246	$ 6,760

See accompanying notes.

STEREOTAXIS, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	Nine Months Ended September 30, 2023	2022
Cash flows from operating activities		
Net loss	$ (15,673)	$ (14,138)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	457	298
Non-cash lease expense	23	90
Stock-based compensation	7,987	7,906
Accretion and short-term investment discount	(287)	-
Changes in operating assets and liabilities:		
Accounts receivable	(156)	329
Inventories	1,088	(3,280)
Prepaid expenses and other current assets	470	1,071
Other assets	73	45
Accounts payable	270	687
Accrued liabilities	(146)	(19)
Deferred revenue	(798)	1,199
Other liabilities	(8)	(51)
Net cash used in operating activities	(6,700)	(5,863)
Cash flows from investing activities		
Purchase of property and equipment	(366)	(2,009)
Proceeds from maturity of short-term investments	20,131	-
Net cash provided by (used in) investing activities	19,765	(2,009)
Cash flows from financing activities		
Proceeds from issuance of stock, net of issuance costs	55	159
Net cash provided by financing activities	55	159
Net increase (decrease) in cash, cash equivalents, and restricted cash	13,120	(7,713)
Cash, cash equivalents, and restricted cash at beginning of period	9,855	40,144
Cash, cash equivalents, and restricted cash at end of period	$ 22,975	$ 32,431
Supplemental disclosure of cash flow information:		
Purchase of property and equipment included in accounts payable	$ -	$ 163
Reconciliation of cash, cash equivalents, and restricted cash to balance sheet as of September 30th:		
Cash and cash equivalents	$ 22,100	$ 30,938
Restricted cash - current	525	618
Restricted cash	350	875
Total cash, cash equivalents, and restricted cash	$ 22,975	$ 32,431

See accompanying notes.

Notes to Financial Statements

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

1. Description of Business

Stereotaxis designs, manufactures and markets robotic systems, instruments and information systems for the interventional laboratory. Our proprietary robotic technology, Robotic Magnetic Navigation, fundamentally transforms endovascular interventions using precise computer-controlled magnetic fields to directly control the tip of flexible interventional catheters or devices. Direct control of the tip of an interventional device, in contrast to all manual hand-held devices that are controlled from their handle, can improve the precision, stability, reach and safety of these devices during procedures.

Our primary clinical focus has been electrophysiology, specifically cardiac ablation procedures for the treatment of arrhythmias. Cardiac ablation has become a well-accepted therapy for arrhythmias and a multi-billion-dollar medical device market with expectations for substantial long-term growth. We have shared our aspiration and a Our product strategy is to expand the clinical focus of our technology to several additional endovascular indications including coronary, neuro, and peripheral interventions.

There is substantial real-world evidence and clinical literature for Robotic Magnetic Navigation in electrophysiology. Hundreds of electrophysiologists at over one hundred hospitals globally have treated over 100,000 arrhythmia patients with our robotic technology. Clinical use of our technology has been documented in over 400 clinical publications. Robotic Magnetic Navigation is designed to enable physicians to complete more complex interventional procedures with greater success and safety by providing image-guided delivery of catheters through the blood vessels and chambers of the heart to treatment sites. This is achieved using externally applied computer-controlled magnetic fields that govern the motion of the working tip of the catheter, resulting in improved navigation. The more flexible atraumatic design of catheters driven using magnetic fields may reduce the risk of patient harm and other adverse events. Performing the procedure from a control cockpit enables physicians to complete procedures in a safe location protected from x-ray exposure, with greater ergonomics, and improved efficiency. We believe these benefits can be applicable in other endovascular indications where navigation through complex vasculature is often challenging or unsuccessful and generates significant x-ray exposure, and we are investing in research and development in these areas.

Our primary products include the *Genesis RMN* System, the *Odyssey* Solution, and other related devices. We also Through our strategic relationships with fluoroscopy system manufacturers, providers of catheters and electrophysiology mapping systems, and other parties, we offer our customers the Stereotaxis Imaging Model S x-ray System systems and other accessory devices.

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

The *Odyssey Solution* consolidates lab information onto one large integrated display, enabling physicians to view and control all the key information in the operating room. This is designed to improve lab layout and procedure efficiency. The system also features a remote viewing and recording capability called *Odyssey Cinema,* which is an innovative solution that delivers synchronized content for optimized workflow, advanced care, and improved productivity. This tool includes an archiving capability that allows clinicians to store and replay entire procedures or segments of procedures. This information can be accessed from locations throughout the hospital local area network and over the global Odyssey Network providing physicians with a tool for clinical collaboration, remote consultation, and training.

The Stereotaxis Imaging Model S provides an integrated complete solution We have arrangements with fluoroscopy system manufacturers to provide such systems in a bundled purchase offer for a hospitals establishing robotic interventional operating room. It is a rooms. These are single-plane, full-power x-ray system systems and includes include the c-arm and powered table, motorized boom, and large high-definition monitors. Stereotaxis Imaging Model S incorporates modern fluoroscopy technology to support high quality imaging while minimizing radiation exposure for patients and physicians. table. The combination of RMN Systems with Stereotaxis Imaging Model S is designed to reduce our partnered x-ray systems reduces the cost of acquisition, the ongoing cost of ownership, and the complexity of installation of a robotic electrophysiology practice.

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

We have received regulatory clearances and registration approvals necessary for us to market the *Genesis RMN* System in the U.S. and Europe, and we are in the process of obtaining necessary registrations for extending our markets in other countries. Our The *Niobe* System, our prior generation robotic magnetic navigation system, the *Niobe* System, the *Odyssey* Solution, *Cardiodrive*, e-Contact, and various disposable interventional devices have received regulatory clearance clearances and approvals in the U.S., Europe, Canada, China, Japan and various other countries. We have received the regulatory clearance, licensing and/or CE Mark clearances and approvals that allow us to market the *Vdrive* and *Vdrive Duo* Systems with the *V-CAS*, *V-Loop* and *V-Sono* devices device in the U.S., Canada and Europe. The Stereotaxis Imaging Model S x-ray System is CE marked and cleared by the FDA. Canada. We are pursuing regulatory approvals for the Stereotaxis MAGiC catheter, a robotically-navigated magnetic ablation catheter designed to perform minimally invasive cardiac ablation procedures, in various global geographies. Approval processes can be lengthy and uncertain, submissions may require revised or additional non-clinical and clinical data, and regulatory applications could be denied.

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

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial statements of Stereotaxis, Inc. have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all the disclosures required by GAAP for complete financial statements. In the opinion of management, they include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. Operating results for the nine-month three-month period ended September 30, 2023 March 31, 2024, are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 December 31, 2024, or for future operating periods.

These interim financial statements and the related notes should be read in conjunction with the annual financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, as filed with the Securities and Exchange Commission (SEC) on March 9, 2023 March 8, 2024.

Risks and Uncertainties

Future results of operations could be materially adversely impacted by macroeconomic and geopolitical factors. The Company continues to experience difficulties with periodic worldwide supply chain disruptions, including shortages and inflationary pressures, and logistics delays which make it difficult for us to source parts and ship our products. We have generally been able to conduct normal business activities albeit in a more deliberate manner than prior to the pandemic, including taking action to increase inventory levels and engaging in discussions with our vendors on contractual obligations, but we cannot guarantee that they will not be impacted more severely in the future. Our suppliers and contract manufacturers have experienced, and may continue to experience, similar difficulties.If our manufacturing operations or supply chains are materially interrupted, it may not be possible for us to timely manufacture or service our products at required levels, or at all. Changes in economic conditions and supply chain constraints could lead to higher inflation than previously experienced or expected, which could, in turn, lead to an increase in costs. We may be unable to raise the prices of our products sufficiently to keep up with the rate of inflation. A material reduction or interruption in any of our manufacturing processes or a substantial increase in costs would have a material adverse effect on our business, operating results, and financial condition.

Many of our hospital customers, for whom the purchase of our system involves a significant capital purchase which may be part of a larger construction project at the customer site (typically the construction of a new building), may themselves be under economic pressures. Hospitals continue to experience challenges with staffing and cost pressures as supply chain constraints and inflation drive up operating costs. This may cause delays or cancellations of current purchase orders and other commitments and may exacerbate the long and variable sales and installation cycles for our robotic magnetic navigation systems. Our hospital customers have also experienced challenges in sourcing supplies, such as catheters, needed to perform procedures. Such shortages have, and may continue to, put pressure on procedures and our disposable revenue.

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

In addition to the aforementioned macroeconomic factors, the COVID-19 pandemic negatively affected, and any resurgence of a variant of COVID-19 or any similar occurrences may continue to in the future negatively affect demand for both our systems and our disposable products. In the past, we have experienced business disruptions, including travel restrictions on us and our third-party distributors, which negatively affected our complex sales, marketing, installation, distribution and service network relating to our products and services. We also experienced reductions in demand for our disposable products as our healthcare customers (physicians and hospitals) re-prioritized the treatment of patients and diverted resources away from non-coronavirus areas, leading to the performance of fewer procedures in which our disposable products are used. Significant decreases to our capital or recurring revenues could have a material adverse effect on our business, operating results, and financial condition. While we cannot reliably estimate the ultimate duration of the impact or the severity of ongoing periodic resurgences of pandemic-related issues, we continue to anticipate periodic disruptions to our manufacturing operations, supply chains, procedures volumes, service activities, and capital system orders and placements, any of which could have a material adverse effect on our business, financial condition, results of operations, or cash flows. The impact has varied widely over time by individual geography.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash, cash equivalents and marketable securities. Our investments may include, at any time, a diversified portfolio of cash equivalents and short-term short- and long-term investments in a variety of high-quality securities, including money market funds, U.S. treasury and U.S. government agency securities, corporate notes and bonds, commercial paper, non-U.S. government agency securities, and municipal notes. The Company's exposure to any individual corporate entity is limited by policy. Deposits may exceed federally insured limits, and the Company is exposed to credit risk on deposits in the event of default by the financial institutions to the extent account balances exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). The Company is closely monitoring ongoing monitors events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions or other companies in the financial services industry or the financial services industry generally, including Silicon Valley Bank. On March 10, 2023, Silicon Valley Bank ("SVB"), where the Company maintained accounts with a cash balance of less than 6% of the Company's total cash, cash equivalents and marketable securities, was closed by the California Department of Financial Protection and Innovation and the FDIC was appointed as receiver. On March 12, 2023, the U.S. Department of the Treasury, Federal Reserve Board, and FDIC released a joint statement announcing that the FDIC would complete its resolution of SVB in a manner that fully protected all depositors at SVB and that depositors would have access to all of their money starting March 13, 2023. On March 26, 2023, it was announced that First-Citizens Bank & Trust Company would assume all of SVB's deposits and loans as of March 27, 2023. During the periods presented, the Company has not experienced any losses on its deposits of cash, cash equivalents or marketable securities.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, money market instruments, and other highly liquid investments with original maturities of three months or less. less from the date of purchase. Accrued interest receivable on money market instruments, included in other current assets, was less than $0.1million as of March 31, 2024, and December 31, 2023.

Restricted Cash

Restricted cash primarily consists of cash that the Company is obligated to maintain in accordance with contractual obligations. The Company's restricted cash was $0.9 0.6 million and $1.3 0.7 million as of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, respectively.

Investments

Our investments may include, at any time, a diversified portfolio of cash equivalents and short-and long-term investments in a variety of high-quality securities, including money market funds, U.S. treasury and U.S. government agency securities, corporate notes and bonds, commercial paper, non-U.S. government agency securities, and municipal notes. As of September 30, 2023 March 31, 2024, and December 31, 2023, the Company had no short-term investments.

Amortized cost of U.S. treasury securities and marketable debt securities are based on the Company's purchase price adjusted for accrual of discount, or amortization of premium, and recognition of impairment charges, if any. The amortized cost of securities the Company purchases at a discount or premium will equal the face or par value at maturity or the call date, if applicable. Stated interest on investments is reported as income when earned and is adjusted for amortization or accretion of any premium or discount. Accrued interest receivable on investments, included in other current assets was less than $0.1million as of September 30, 2023 and December 31, 2022.

Effective January 1, 2023, the Company reports held to maturity investments net of an allowance for expected credit losses in accordance with Accounting Standards Codification Topic 326, Financial Instruments – Credit Losses ("ASC 326"). The adoption of ASC 326 had no material impact on the Company's financial results for any prior periods, therefore no cumulative adjustment to beginning retained earnings was recorded. The Company segments its portfolio based on the underlying risk profiles of the securities and has a zero-loss expectation for U.S. treasury and U.S. government agency securities. The Company regularly reviews the securities using the probability of default method and analyzes the unrealized loss positions and evaluates the current expected credit loss by considering factors such as credit ratings, issuer-specific factors, current economic conditions, and reasonable and supportable forecasts. The Company did not have any material expected credit losses on investments or material expected credit losses on accrued interest related to investments during the nine three months ended September 30, 2023 March 31, 2024, or year ended December 31, 2022 December 31, 2023.

Fair Value Measurements

Financial instruments consist of cash and cash equivalents, restricted cash, investments, accounts receivable, and accounts payable.

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

Level 1: Values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or other model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Values are generated from model-based techniques that use significant assumptions not observable in the market.

As of September 30, 2023 March 31, 2024, and December 31, 2023, financial assets classified as Level 2 consisted of money market funds. As of December 31, 2022, financial assets classified as Level 2 consisted of money market funds, U.S. treasury securities and corporate debt securities. The Company reviews trading activity and pricing for these investments as of the measurement date. When sufficient quoted pricing for identical securities is not available, the Company uses market pricing and other observable market inputs for similar securities. These inputs either represent quoted prices for similar assets in active markets or have been derived from observable market data. This approach results in the Level 2 classification of these securities within the fair value hierarchy.

Accounts Receivable, Contract Assets, and Allowance for Credit Losses

Accounts receivable primarily include amounts due from hospitals and distributors for acquisition of magnetic systems, associated disposable device sales and service contracts, net of allowances for expected credit losses. Credit is granted on a limited basis, with balances due generally within 30 days of billing. Contract assets primarily represent the difference between the revenue that was earned but not billed on service contracts and revenue from system contracts that was recognized based on the relative selling price of the related performance obligations and the contractual billing terms in the arrangements. Effective January 1, 2023, the The Company reports accounts receivable and contract assets net of an allowance for expected credit losses in accordance with Accounting Standards Codification Topic 326, Financial Instruments – Credit Losses (“ASC 326”). The adoption of ASC 326 had no material impact on the Company’s financial results for any prior periods, therefore no cumulative adjustment to beginning retained earnings was recorded. The provision for credit loss is based upon management’s assessment of historical and expected net collections considering business and economic conditions and other collection indicators. We assess collectability by reviewing the accounts receivable aging schedule on an aggregated basis where similar characteristics exist and on an individual basis when we identify specific customers with known disputes or collectability issues. Amounts deemed uncollectible are recorded as an allowance for expected credit losses.

Revenue and Costs of Revenue

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

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

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

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

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

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

Systems:

Contracts related to the sale of systems typically contain separate obligations for the delivery of system(s), installation, service-type warranty, and an implied obligation to provide software enhancements if and when available for one year following installation. Revenue is recognized when the Company transfers control to the customer, which is generally at the point when acceptance occurs that indicates customer acknowledgment of delivery or installation, depending on the terms of the arrangement. Revenue from service-type warranties and the implied obligation to deliver software enhancements if and when available is included in Other Recurring Revenue and is recognized ratably typically over the first year following installation of the system as the customer receives the service-type warranty and right to software enhancements updates throughout the period and is included in Other Recurring Revenue. period. The Company’s system contracts generally do not provide a right of return. Systems are generally covered by a one-year assurance type warranty; service-type warranty or a one-year assurance-type warranty. Assurance-type warranty costs were approximately less than $0.1 million for the nine three months ended September 30, 2023 March 31, 2024, and 2022. 2023. Revenue from system delivery and installation represented 39 38%% and 22 28%% of revenue for the nine three months ended September 30, 2023 March 31, 2024, and 2022, 2023, respectively.

Disposables:

Revenue from sales of disposable products is recognized when control is transferred to the customers, which generally occurs at the time of shipment, but can also occur at the time of delivery depending on the customer arrangement. Disposable products are covered by an assurance type warranty that provides for the return of defective products. Warranty costs were not material for the nine three months ended September 30, 2023 March 31, 2024, and 2022. 2023. Disposable revenue represented 21 21%% and 29 24%% of revenue for the nine three months ended September 30, 2023 March 31, 2024, and 2022, 2023, respectively.

Royalty:

The Company receives royalties on the sale of various devices as provided by co-development and co-placement arrangements with various manufacturers. The Company was entitled to royalty payments from Biosense Webster, payable quarterly based on net revenues from sales of the co-developed catheters, during the term of the agreement. Royalty revenue from co-development and co-placement arrangements represented less than 11%% and approximately 8% of revenue for the nine three months ended September 30, 2023 March 31, 2024, and 2022, respectively. 2023.

Other Recurring Revenue:

Other recurring revenue includes revenue from product maintenance plans, service-type warranties, other post warranty maintenance, and the implied obligation to provide software enhancements if and when available for a specified period, typically one year following installation of our systems. Revenue from services and software enhancements, is service-type warranties, and the implied obligation to provide software enhancements are deferred and amortized over the service or update period, which is typically one year. Revenue related to services performed on a time-and-materials basis is recognized when performed. Other recurring revenue represented 40 41% and 41 48% of revenue for the nine three months ended September 30, 2023 March 31, 2024, and 2022, 2023, respectively.

The following table summarizes the Company's revenue for systems, disposables, and service and accessories for the nine three months ended September 30, 2023 March 31, 2024, and 2022 2023 (in thousands):

	2023	2022	2023	2022	2024	2023
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Systems	$ 3,539	$ 2,413	$ 8,673	$ 4,649	$ 2,612	$ 1,821
Disposables, service and accessories	4,260	5,244	13,533	16,197	4,268	4,727
Total revenue	$ 7,799	$ 7,657	$ 22,206	$ 20,846	$ 6,880	$ 6,548

Transaction price allocated to remaining performance obligations relates to amounts allocated to products and services for which the revenue has not yet been recognized. A significant portion of this amount relates to the Company's systems contracts and obligations that will be recognized as revenue in future periods. These obligations are generally satisfied within two years after contract inception but may occasionally extend longer. Transaction price representing revenue to be earned on remaining performance obligations on system contracts was approximately $12.1 11.9 million as of September 30, 2023 March 31, 2024. Performance obligations arising from contracts for disposables and service are generally expected to be satisfied within one year after entering into the contract.

The following table summarizes the Company's contract assets and liabilities (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Contract Assets - unbilled receivables	$ 626	$ 539	$ 77	$ 72
Customer deposits	$ 1,796	$ 2,339	$ 1,850	$ 2,105
Product shipped, revenue deferred	1,473	1,389	1,509	1,413
Deferred service and license fees	4,929	5,268	4,160	4,776
Total deferred revenue	$ 8,198	$ 8,996	$ 7,519	$ 8,294
Less: Long-term deferred revenue	(1,982)	(1,654)	(1,581)	(1,637)
Total current deferred revenue	$ 6,216	$ 7,342	$ 5,938	$ 6,657

The Company invoices its customers based on the billing schedules in its sales arrangements. Contract assets primarily represent the difference between the revenue that was earned but not billed on service contracts and revenue from system contracts that was recognized based on the relative selling price of the related satisfied performance obligations and the contractual billing terms in the arrangements. Customer deposits primarily relate to future system sales but can also include deposits on disposable sales. Deferred revenue is primarily related to service contracts, for which the service fees are billed up-front, generally quarterly or annually, and for amounts billed in advance for system contracts for which some performance obligations remain outstanding. For service contracts, the associated deferred revenue is generally recognized ratably over the service period. For system contracts, the associated deferred revenue is recognized when the remaining performance obligations are satisfied. The Company did not have any credit impairment losses on its contract assets for the periods presented therefore no allowance for credit losses was recorded as of September 30, 2023, or December 31, 2022. presented.

Revenue recognized for the nine three months ended September 30, 2023 March 31, 2024, and 2022, 2023, that was included in the deferred revenue balance at the beginning of each reporting period was $5.73.0 million and $5.6 million, respectively. million.

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

The Company has determined that sales incentive programs for the Company's sales team meet the requirements to be capitalized as the Company expects to generate future economic benefits from the related revenue generating contracts after the initial capital sales transaction. The costs capitalized as contract acquisition costs included in prepaid expenses and other assets, in the Company's balance sheet was were $0.1 million and $0.2 million as of September 30, 2023 March 31, 2024, and December 31, 2022, respectively. December 31, 2023. The Company did not incur any impairment losses during any of the periods presented.

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

Leasing Arrangements

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

The Company leases its facilities under operating leases. In accordance with ASC 842, operating lease agreements are recognized on the balance sheet as a right-of-use (“ROU”) asset and a corresponding lease liability. These leases generally do not have significant rent escalation holidays, concessions, leasehold improvement incentives, or other build-out clauses. Further, the leases do not contain contingent rent provisions. Many of our leases include both lease (i.e., fixed payments including rent, taxes, and insurance costs) and non-lease components (i.e., common-area or other maintenance costs) which are accounted for as a single lease component as we have elected the practical expedient to group lease and non-lease components for all leases.

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

The calculated amounts of the ROU assets and lease liabilities are impacted by the length of the lease term and the discount rate used to calculate the present value of the minimum lease payments. ASC 842 requires the use of the discount rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception.

Stock-Based Compensation

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

For time-based awards, the Company utilizes the Black-Scholes valuation model to determine the fair value of stock options and stock appreciation rights at the date of grant. The weighted average assumptions and fair value for options granted during the nine three months ended September 30, 2023 March 31, 2024, were 1) expected dividend rate of 0%; 2) expected volatility of 76% based on the Company’s historical volatility; 3) risk-free interest rate based on the Treasury yield on the date of grant; and 4) expected term of 6.25 years. The resulting compensation expense is recognized over the requisite service period, which is generally four years. Restricted shares and units granted to employees and non-employee directors are valued at the fair market value at the date of grant. The Company amortizes the fair market value to expense over the service period. period, which is generally four years except for grants to directors which are generally earned over a period of six months. If the shares are subject to performance objectives, the resulting compensation expense is amortized over the anticipated vesting period and is subject to adjustment based on the actual achievement of objectives.

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

Shares purchased by employees under the 2022 Employee Stock Purchase Plans are considered to be non-compensatory.

Net Earnings (Loss) Loss per Common Share

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

The following table sets forth the computation of basic and diluted EPS (in thousands except for share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss	$ (5,369)	$ (4,917)	$ (15,673)	$ (14,138)
Cumulative dividend on convertible preferred stock	(338)	(339)	(1,004)	(1,005)
Net loss attributable to common stockholders	$ (5,707)	$ (5,256)	$ (16,677)	$ (15,143)
Weighted average number of common shares and equivalents:	82,468,971	76,100,007	80,028,243	75,977,920
Basic EPS	$ (0.07)	$ (0.07)	$ (0.21)	$ (0.20)
Diluted EPS	$ (0.07)	$ (0.07)	$ (0.21)	$ (0.20)

	Three Months Ended March 31,	
	2024	2023
Net loss	$ (4,507)	$ (5,347)
Cumulative dividend on convertible preferred stock	(331)	(331)
Net loss attributable to common stockholders	$ (4,838)	$ (5,678)
Weighted average number of common shares and equivalents:	83,476,498	76,500,965
Basic EPS	$ (0.06)	$ (0.07)
Diluted EPS	$ (0.06)	$ (0.07)

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

As of September 30, 2023 March 31, 2024, the Company had 3,769,675 3,470,733 shares of common stock issuable upon the exercise of outstanding options and stock appreciation rights at a weighted average exercise price of $3.93 3.92 per share, 48,909,568 48,885,547 shares of our common stock issuable upon conversion of our Series A Convertible Preferred Stock and 1,502,131 1,741,741 shares of unvested restricted share units. The Company had no unearned restricted shares outstanding as of September 30, 2023 March 31, 2024.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments” and also issued subsequent amendments to the initial guidance under ASU 2018-19, ASU 2019-04 and ASU 2019-05. The standard modifies the measurement approach for credit losses on financial instruments, including trade receivables, from an incurred loss method to a current expected credit loss method, otherwise known as “CECL.” The standard requires the measurement of expected credit losses to be based on relevant information, including historical experience, current conditions and a forecast that is supportable. The standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years; early adoption is permitted. The standard must be adopted by applying a cumulative adjustment to retained earnings. The Company adopted the standard in the first quarter of 2023. The impact to the Company’s financial results was immaterial.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”), which requires enhanced income tax disclosures, primarily related to the effective tax rate reconciliation and income taxes paid. The Company does not expect a significant impact on its income tax disclosures upon adoption of the ASU which will be effective in the Company’s year ending December 31, 2025.

3. Financial Instruments

The following table summarizes tables summarize the Company’s cash and held to maturity securities’ amortized cost, gross unrealized gains, gross unrealized losses, and fair value by significant investment category reported as cash and cash equivalents and restricted cash and investments as of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023:

	September 30, 2023										
	Valuation				Reported as:				Valuation		
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Restricted Cash-current	Short-term Investments	Restricted Cash	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses
Cash	$ 2,414	$ -	$ -	$ 2,414	$ 2,414	$ -	$ -	$ -	$ 1,662	$ -	$
Level 2											
Money market funds	20,561	-	(2)	20,559	19,686	525	-	350	16,584	-	
Subtotal	20,561	-	(2)	20,559	19,686	525	-	350	16,584	-	
Total assets measured at fair value	$ 22,975	$ -	$ (2)	$ 22,973	$ 22,100	$ 525	$ -	$ 350	$ 18,246	$ -	$

	December 31, 2022										
	Valuation				Reported as:				Valuation		
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Restricted Cash-current	Short-term Investments	Restricted Cash	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses
Cash	$ 3,258	$ -	$ -	$ 3,258	$ 3,258	$ -	$ -	$ -	$ 2,122	$ -	$
Level 2											
Money market funds	1,615	-	-	1,615	346	525	-	744	18,440	-	
US treasury securities	14,833	2	(2)	14,833	4,982	-	9,851	-			

Corporate debt securities	9,993	-	(6)	9,987	-	-	9,993	-			
Subtotal	26,441	2	(8)	26,435	5,328	525	19,844	744	18,440	-	[illegible]
Total assets measured at fair value	$ 29,699	$ 2	$ (8)	$ 29,693	$ 8,586	$ 525	$ 19,844	$ 744	$ 20,562	$ -	$ [illegible]

Interest income recorded for these investments was approximately $0.8 0.2 million and $0.5 1.1 million during the nine three months ended September 30, 2023 March 31, 2024, and the year ended December 31, 2022 December 31, 2023, respectively.

As of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, the Company did not have any financial assets classified as Level 1 or Level 3 nor did the Company have financial liabilities valued at fair value on a recurring basis.

4. Inventories

Inventories consist of the following (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Raw materials	$ 6,490	$ 6,556	$ 6,507	$ 5,918
Work in process	542	530	457	1,034
Finished goods	1,633	2,697	3,255	3,413
Reserve for excess and obsolescence	(1,877)	(1,907)	(1,967)	(1,939)
Total inventory	$ 6,788	$ 7,876	$ 8,252	$ 8,426

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

5. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Prepaid expenses	$ 281	$ 605	$ 465	$ 181
Prepaid commissions	125	187	92	110
Deposits	475	669	284	424
Other assets	109	72	120	98
Total prepaid expenses and other assets	990	1,533	961	813
Less: Noncurrent prepaid expenses and other assets	(135)	(208)	(116)	(137)
Total current prepaid expenses and other assets	$ 855	$ 1,325	$ 845	$ 676

6. Property and Equipment

Property and Equipment consist of the following (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Equipment	$ 4,271	$ 4,393	$ 4,269	$ 4,269
Leasehold improvements	2,911	2,692	2,911	2,911
Construction in process	-	204		
	7,182	7,289	7,180	7,180
Less: Accumulated depreciation	(3,739)	(3,458)	(4,016)	(3,876)
Net property and equipment	$ 3,443	$ 3,831	$ 3,164	$ 3,304

The Company had no additions of property and equipment during the three months ended March 31, 2024, and had less than $0.1 million and $1.2 million of property and equipment additions during the nine months ended September 30, 2023, and the year ended December 31, 2022 December 31, 2023, respectively, associated with the buildout of the new leased space in St. Louis, Missouri.

7. Leases

On March 1, 2021, the Company entered into an office lease agreement (the “Lease”) with Globe Building Company (the “Landlord”), under which the Company leases executive office space and manufacturing facilities of approximately 43,100 square feet of rentable space located at 710 N. Tucker Boulevard, St. Louis, Missouri (the “Premises”) that serves as the Company’s principal executive and administrative offices and manufacturing facility. Lease payments commenced on January 1, 2022, and the lease has a term of ten years, with two renewal options of five years each. The minimum annual rent under the terms of the Lease ranges from approximately $0.8 million in 2022 to $1.0 million in 2031.

As of September 30, 2023 March 31, 2024, the weighted average discount rate for operating leases was 9 9%% and the weighted average remaining lease term for operating lease term is 8.24 7.74 years.

The following table represents lease costs and other lease information (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
					2024	2023
	2023	2022	2023	2022	2024	2023
Operating lease cost	$ 227	$ 227	$ 681	$ 678	$ 227	$ 227
Short-term lease cost	4	4	13	24	3	4
Total net lease cost	$ 231	$ 231	$ 694	$ 702	$ 230	$ 231
Cash paid within operating cash flows	$ 255	$ 232	$ 741	$ 886	$ 258	$ 242

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

Future minimum payments for operating leases with initial or remaining terms of one year or more as of September 30, 2023 March 31, 2024, were as follows (in thousands):

	September 30, 2023	March 31, 2024
2023	$ 220	
2024	898	$ 674
2025	919	919
2026	935	935
2027	956	956
2028 and thereafter	4,030	
2028		976
2029 and thereafter		3,054
Total lease payments	7,958	7,514
Less: Interest	(2,372)	(2,126)
Present value of lease liabilities	$ 5,586	$ 5,388

8. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Accrued salaries, bonus, and benefits	$ 1,314	$ 1,381	$ 1,210	$ 1,222
Accrued licenses and maintenance fees	484	484	484	484
Accrued warranties	111	163	90	107
Accrued professional services	173	129	109	138
Accrued investigational sites			182	-
Deferred contract obligation	1,045	1,045	1,045	1,045
Other	76	155	87	19
Total accrued liabilities	3,203	3,357	3,207	3,015
Less: Long term accrued liabilities	(43)	(51)	(43)	(43)
Total current accrued liabilities	$ 3,160	$ 3,306	$ 3,164	$ 2,972

Certain prior year amounts have been reclassified to conform to the 2023 presentation.

9. Convertible Preferred Stock and Stockholders' Equity

The holders of common stock are entitled to one vote for each share held and to receive dividends when and as declared by the Board of Directors out of funds legally available for dividends, subject to the prior rights or preferences applicable to any preferred stock as may then be outstanding. No dividends have been declared or paid as of September 30, 2023 March 31, 2024, and the Company does not presently intend to pay any cash dividends in the foreseeable future.

Series B Convertible Preferred Stock

On August 7, 2019, the Company entered into a Securities Purchase Agreement with certain institutional and other accredited investors, whereby it, as part of a private placement, agreed to issue and sell to the investors 5,610,121 shares of the Company's Series B Convertible Preferred Stock (the "Series B Preferred Stock"), $0.001 par value per share which are convertible into shares of the Company's common stock, at a price of $2.05 per share. In April 2023, all of the outstanding shares of Series B Convertible Preferred Stock were converted into shares of common stock on a one-for-one basis by the holder. The Series B Preferred Stock, which was a common stock equivalent but non-voting and with a blocker on conversion if the holder exceeded a specified threshold of voting security ownership, was convertible into common stock on a one-for-one basis, subject to adjustment for events such as stock splits, combinations and the like as provided in the Purchase Agreement. The Series B Preferred Stock was reported in the stockholders' equity section of the Company's balance sheet.

Series A Convertible Preferred Stock and Warrants

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

2021 CEO Performance Award Unit Grant

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

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

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

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

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

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

Total stock-based compensation recorded as operating expense for the CEO Performance Award was $5.3 1.8 million for the nine three months ended September 30, 2023 March 31, 2024, and 2022. 2023. As of September 30, 2023 March 31, 2024, and 2022, 2023, the Company had approximately $38.8 35.2 million and $45.9 42.4 million, respectively, of total unrecognized stock-based compensation expense remaining under the CEO Performance Award assuming the grantee's continued employment as CEO of the Company, or in a similar capacity, through 2030. As of September 30, 2023 March 31, 2024, none of the performance milestones established by the 2021 CEO Incentive Program have been achieved, and no awards have been earned.

Stock Award Plans

In February 2022, the Compensation Committee of the Board of Directors adopted the 2022 Stock Incentive Plan (the "Plan") which was subsequently approved by the Company's shareholders. This plan replaced the 2012 Stock Incentive Plan which expired on May 19, 2022. The 2022 Stock Incentive Plan allows for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted shares and restricted share units to employees, non-employee directors, and third-party consultants.

At September 30, 2023 March 31, 2024, the Company had 2,645,914 2,297,196 remaining shares of the Company's common stock to provide for current and future grants under its various equity plans.

At September 30, 2023 March 31, 2024, the total compensation cost related to options stock appreciation rights, and non-vested stock granted to employees and non-employees under the Company's stock award plans but not yet recognized was approximately $4.3 3.0 million, excluding compensation not yet recognized related to the CEO Performance Award discussed above. This cost will be amortized over a period of up to four years over the underlying estimated service periods and will be adjusted for subsequent changes in actual forfeitures and anticipated vesting periods.

A summary of the option and stock appreciation rights activity for the nine-month three-month period ended September 30, 2023 March 31, 2024, is as follows:

	Number of Options/SARs	Range of Exercise Price	Weighted Average Exercise Price per Share	Number of Options/SARs	Range of Exercise Price	Weighted Average Exercise Price per Share
Outstanding, December 31, 2022	3,208,065	$0.74 - $9.87	$ 4.21			
Outstanding, December 31, 2023				3,650,115	$0.74 - $9.87	$ 3.93
Granted	718,000	$1.51- $2.57	$ 2.54	20,000	$2.80	$ 2.80
Exercised	(30,188)	$0.74 - $2.03	$ 1.14	(9,550)	$0.74 - $2.03	$ 0.80
Forfeited	(126,202)	$0.82 - $9.20	$ 3.82	(189,832)	$0.74 - $6.96	$ 4.03
Outstanding, September 30, 2023	3,769,675	$0.74 - $9.87	$ 3.93			
Outstanding, March 31, 2024				3,470,733	$0.74 - $9.87	$ 3.92

A summary of the restricted stock unit activity for the nine-month three-month period ended September 30, 2023 March 31, 2024, is as follows:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value per Unit	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value per Unit
Outstanding, December 31, 2022	1,208,739	$ 4.21		
Outstanding, December 31, 2023			1,502,131	$ 3.94
Granted	610,038	$ 1.97	389,610	$ 1.54
Vested	(316,646)	$ 1.17	(150,000)	$ 1.19
Outstanding, September 30, 2023	1,502,131	$ 3.94		
Outstanding, March 31, 2024			1,741,741	$ 3.64

10. Product Warranty Provisions

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

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

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Warranty accrual, beginning of the fiscal period	$ 163	$ 242	$ 107	$ 163
Accrual adjustment for product warranty	139	113	(1)	547
Payments made	(191)	(192)	(16)	(603)
Warranty accrual, end of the fiscal period	$ 111	$ 163	$ 90	$ 107

11. Commitments and Contingencies

The Company at times becomes a party to claims in the ordinary course of business. Management believes that the ultimate resolution of pending or threatened proceedings will not have a material effect on the financial position, results of operations or liquidity of the Company. In February 2024, a vendor filed financing statements under the Uniform Commercial Code ("UCC") on underlying inventory for approximately $0.6 million. We believe the financing statements were filed without merit, and we fully intend on contesting the propriety of such actions.

In April 2021, the Company entered into a letter of credit pursuant to the Lease agreement totaling approximately $1.8 million to be delivered in four equal installments of which the first was delivered in April 2021, the second was delivered in July 2021, the third was delivered in October 2021, and the fourth was delivered in January 2022. The amount available under this letter of credit automatically reduces by one fortieth at the end of each month during the lease term.

12. Subsequent Events

None. On May 11, 2024, the Company entered into a definitive share purchase agreement to acquire all of the outstanding equity capital stock of Access Point Technologies, Inc., a privately-held Minnesota-based developer of innovative electrophysiology catheters, for $3.0 million of Company common stock at closing and, in addition, Company common stock contingently issuable over five years after closing upon achieving certain key regulatory and commercial milestones. The acquisition is expected to close by the end of the third quarter of 2024 subject to customary closing conditions.

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

The following discussion and analysis should be read in conjunction with our financial statements and notes thereto included in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. Operating results are not necessarily indicative of results that may occur in future periods.

This report includes various forward-looking statements that are subject to risks and uncertainties, many of which are beyond our control. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in "Part II - Item 1A. Risk Factors" included in this Quarterly Report on Form 10-Q and in Part I, Item 1A, "Risk Factors," included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31,2023, as well as various impacts related to our recently announced proposed acquisition of Access Point Technologies, Inc. ("APT"). Forward-looking statements discuss matters that are not historical facts. Forward-looking statements include, but are not limited to, discussions regarding our operating strategy, sales and marketing strategy, regulatory strategy, industry, economic conditions, financial condition, liquidity, capital resources, results of operations, and the on-going impact of the recent coronavirus ("COVID-19") pandemic and our response to it. it or any impact of a similar pandemic, and statements relating to our ability to consummate the APT acquisition within the expected timing, or at all. Such statements include, but are not limited to, statements preceded by, followed by, or that otherwise include the words "believe", "expects", "anticipates", "intends", "estimates", "projects", "can", "could", "may", "would", or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You should not unduly rely on these forward-looking statements, which speak only as of the date on which they are made. They give our expectations regarding the future but are not guarantees. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Overview

Stereotaxis designs, manufactures and markets robotic systems, instruments and information systems for the interventional laboratory. Our proprietary robotic technology, Robotic Magnetic Navigation, fundamentally transforms endovascular interventions using precise computer-controlled magnetic fields to directly control the tip of flexible interventional catheters or devices. Direct control of the tip of an interventional device, in contrast to all manual hand-held devices that are controlled from their handle, can improve the precision, stability, reach and safety of these devices during procedures.

Our primary clinical focus has been electrophysiology, specifically cardiac ablation procedures for the treatment of arrhythmias. Cardiac ablation has become a well-accepted therapy for arrhythmias and a multi-billion-dollar medical device market with expectations for substantial long-term growth. We have shared our aspiration and a Our product strategy is to expand the clinical focus of our technology to several additional endovascular indications including coronary, neuro, and peripheral interventions.

There is substantial real-world evidence and clinical literature for Robotic Magnetic Navigation in electrophysiology. Hundreds of electrophysiologists at over one hundred hospitals globally have treated over 100,000 arrhythmia patients with our robotic technology. Clinical use of our technology has been documented in over 400 clinical publications. Robotic Magnetic Navigation is designed to enable physicians to complete more complex interventional procedures with greater success and safety by providing image-guided delivery of catheters through the blood vessels and chambers of the heart to treatment sites. This is achieved using externally applied computer-controlled magnetic fields that govern the motion of the working tip of the catheter, resulting in improved navigation. The more flexible atraumatic design of catheters driven using magnetic fields may reduce the risk of patient harm and other adverse events. Performing the procedure from a control cockpit enables physicians to complete procedures in a safe location protected from x-ray exposure, with greater ergonomics, and improved efficiency. We believe these benefits can be applicable in other endovascular indications where navigation through complex vasculature is often challenging or unsuccessful and generates significant x-ray exposure, and we are investing in research and development in these areas.

Our primary products include the *Genesis RMN* System, the *Odyssey* Solution, and other related devices. We also Through our strategic relationships with fluoroscopy system manufacturers, providers of catheters and electrophysiology mapping systems, and other parties, we offer our customers the Stereotaxis Imaging Model S magnetically compatible x-ray System systems and other accessory devices.

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

The *Odyssey Solution* consolidates lab information onto one large integrated display, enabling physicians to view and control all the key information in the operating room. This is designed to improve lab layout and procedure efficiency. The system also features a remote viewing and recording capability called *Odyssey Cinema*, which is an innovative solution that delivers synchronized content for optimized workflow, advanced care, and improved productivity. This tool includes an archiving capability that allows clinicians to store and replay entire procedures or segments of procedures. This information can be accessed from locations throughout the hospital local area network and over the global Odyssey Network providing physicians with a tool for clinical collaboration, remote consultation, and training.

The Stereotaxis Imaging Model S provides an integrated complete solution We have arrangements with fluoroscopy system manufacturers to provide such systems in a bundled purchase offer for a hospitals establishing robotic interventional operating room. It is a rooms. These are single-plane, full-power x-ray system systems and includes include the c-arm and powered table, motorized boom, and large high-definition monitors. Stereotaxis Imaging Model S incorporates modern fluoroscopy technology to support high quality imaging while minimizing radiation exposure for patients and physicians. table. The combination of RMN Systems with Stereotaxis Imaging Model S is designed to reduce our partnered x-ray systems reduces the cost of acquisition, the ongoing cost of ownership, and the complexity of installation of a robotic electrophysiology practice.

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

We have received regulatory clearances and registration approvals necessary for us to market the *Genesis RMN* System in the U.S. and Europe, and we are in the process of obtaining necessary registrations for extending our markets in other countries. Our The *Niobe* System, our prior generation robotic magnetic navigation system, the *Niobe* System, the *Odyssey* Solution, *Cardiodrive*, e-Contact, and various disposable interventional devices have received regulatory clearance clearances and approvals in the U.S., Europe, Canada, China, Japan and various other countries. We have received the regulatory clearance, licensing and/or CE Mark clearances and approvals that allow us to market the *Vdrive* and *Vdrive Duo* Systems with the *V-CAS*, *V-Loop* and *V-Sono* devices device in the U.S., Canada and Europe. The Stereotaxis Imaging Model S x-ray System is CE marked and cleared by the FDA. Canada. We are pursuing regulatory approvals for the Stereotaxis MAGiC catheter, a robotically-navigated magnetic ablation catheter designed to perform minimally invasive cardiac ablation procedures, in various global geographies. Approval processes can be lengthy and uncertain, submissions may require revised or additional non-clinical and clinical data, and regulatory applications could be denied.

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

Corporate Developments

On May 11, 2024, the Company entered into a definitive share purchase agreement to acquire all of the outstanding equity capital stock of Access Point Technologies, Inc., a privately held Minnesota-based developer of innovative electrophysiology catheters, for $3.0 million of Company common stock at closing and, in addition, Company common stock contingently issuable over five years after closing upon achieving certain key regulatory and commercial milestones. The acquisition is expected to close by the end of the third quarter of 2024 subject to customary closing conditions.

Risks and Uncertainties

Future results of operations could be materially adversely impacted by macroeconomic and geopolitical factors. The Company continues to experience difficulties with periodic worldwide supply chain disruptions, including shortages and inflationary pressures, and logistics delays which make it difficult for us to source parts and ship our products. We have generally been able to conduct normal business activities albeit in a more deliberate manner than prior to the pandemic, including taking action to increase inventory levels and engaging in discussions with our vendors on contractual obligations, but we cannot guarantee that they will not be impacted more severely in the future. Our suppliers and contract manufacturers have experienced, and may continue to experience, similar difficulties. If our manufacturing operations or supply chains are materially interrupted, it may not be possible for us to timely manufacture or service our products at required levels, or at all. Changes in economic conditions and supply chain constraints could lead to higher inflation than previously experienced or expected, which could, in turn, lead to an increase in costs. We may be unable to raise the prices of our products sufficiently to keep up with the rate of inflation. A material reduction or interruption in any of our manufacturing processes or a substantial increase in costs would have a material adverse effect on our business, operating results, and financial condition.

Many of our hospital customers, for whom the purchase of our system involves a significant capital purchase which may be part of a larger construction project at the customer site (typically the construction of a new building), may themselves be under economic pressures. Hospitals continue to experience challenges with staffing and cost pressures as supply chain constraints and inflation drive up operating costs. This may cause delays or cancellations of current purchase orders and other commitments and may exacerbate the long and variable sales and installation cycles for our robotic magnetic navigation systems. Our hospital customers have also experienced challenges in sourcing supplies, such as catheters, needed to perform procedures. Such shortages have, and may continue to, put pressure on procedures and our disposable revenue.

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

In addition to the aforementioned macroeconomic factors, the COVID-19 pandemic negatively affected, and any resurgence of a variant of COVID-19 or any similar occurrences may continue to in the future negatively affect demand for both our systems and our disposable products. In the past, we have experienced business disruptions, including travel restrictions on us and our third-party distributors, which negatively affected our complex sales, marketing, installation, distribution and service network relating to our products and services. We also experienced reductions in demand for our disposable products as our healthcare customers (physicians and hospitals) re-prioritized the treatment of patients and diverted resources away from non-coronavirus areas, leading to the performance of fewer procedures in which our disposable products are used. Significant decreases to our capital or recurring revenues could have a material adverse effect on our business, operating results, and financial condition. While we cannot reliably estimate the ultimate duration of the impact or the severity of ongoing periodic resurgences of pandemic-related issues, we continue to anticipate periodic disruptions to our manufacturing operations, supply chains, procedures volumes, service activities, and capital system orders and placements, any of which could have a material adverse effect on our business, financial condition, results of operations, or cash flows. The impact has varied widely over time by individual geography. In 2022, procedure volumes were challenged by periodic resurgences of COVID-19, ongoing hospital staffing issues and other factors. In the first quarter of 2023, the most recent COVID-19 resurgences in China continued to negatively impact our procedure volumes in that region, but as infections and hospitalization decreased, we saw a recovery of procedure volumes.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash, cash equivalents and marketable securities. Our investments may include, at any time, a diversified portfolio of cash equivalents and short- and long-term investments in a variety of high-quality securities, including money market funds, U.S. treasury and U.S. government agency securities, corporate notes and bonds, commercial paper, non-U.S. government agency securities, and municipal notes. The Company's exposure to any individual corporate entity is limited by policy. Deposits may exceed federally insured limits, and the Company is exposed to credit risk on deposits in the event of default by the financial institutions to the extent account balances exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). The Company is closely monitoring ongoing monitors events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions or other companies in the financial services industry or the financial services industry generally, including Silicon Valley Bank. On March 10, 2023, Silicon Valley Bank ("SVB"), where the Company maintained accounts with a cash balance of less than 6% of the Company's total cash, cash equivalents and marketable securities, was closed by the California Department of Financial Protection and Innovation and the FDIC was appointed as receiver. On March 12, 2023, the U.S. Department of the Treasury, Federal Reserve Board, and FDIC released a joint statement announcing that the FDIC would complete its resolution of SVB in a manner that fully protected all depositors at SVB and that depositors would have access to all of their money starting March 13, 2023. On March 26, 2023, it was announced that First-Citizens Bank & Trust Company would assume all of SVB's deposits and loans as of March 27, 2023. During the periods presented, the Company has not experienced any losses on its deposits of cash, cash equivalents or marketable securities.

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, 2022 December 31, 2023.

Revenue Recognition

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

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

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

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

Systems:

Contracts related to the sale of systems typically contain separate obligations for the delivery of system(s), installation, service-type warranty, and an implied obligation to provide software enhancements if and when available for one year following installation. Revenue is recognized when the Company transfers control to the customer, which is generally at the point when acceptance occurs that indicates customer acknowledgment of delivery or installation, depending on the terms of the arrangement. Revenue from service-type warranties and the implied obligation to deliver software enhancements if and when available is included in Other Recurring Revenue and is recognized ratably typically over the first year following installation of the system as the customer receives the service-type warranty and right to software enhancements updates throughout the period and is included in Other Recurring Revenue. period. The Company's system contracts generally do not provide a right of return. Systems are generally covered by a one-year assurance type warranty; service-type warranty or a one-year assurance-type warranty. Assurance-type warranty costs were approximately less than $0.1 million for the nine three months ended September 30, 2023 March 31, 2024, and 2022. 2023.

Disposables:

Revenue from sales of disposable products is recognized when control is transferred to the customers, which generally occurs at the time of shipment, but can also occur at the time of delivery depending on the customer arrangement. Disposable products are covered by an assurance type warranty that provides for the return of defective products. Warranty costs were not material for the nine three months ended September 30, 2023 March 31, 2024, and 2022. 2023.

Royalty:

The Company receives royalties on the sale of various devices as provided by co-development and co-placement arrangements with various manufacturers. The Company received royalty payments from Biosense Webster, payable quarterly based on net revenues from sales of the co-developed catheters, during the term of the agreement.

Other Recurring Revenue:

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

The Company invoices its customers based on the billing schedules in its sales arrangements. Contract assets primarily represent the difference between the revenue that was recognized based on the relative selling price of the related performance obligations and the contractual billing terms in the arrangements. Customer deposits primarily relate to future system sales but can also include deposits on disposable sales. Deferred revenue is primarily related to service contracts, for which the service fees are billed up-front, generally quarterly or annually, and for amounts billed in advance for system contracts for which some performance obligations remain outstanding. For service contracts, the associated deferred revenue is generally recognized ratably over the service period. For system contracts, the associated deferred revenue is recognized when the remaining performance obligations are satisfied. See Note 2 for additional detail on deferred revenue. The Company did not have any credit impairment losses on its contract assets for the periods presented therefore no allowance for credit losses was recorded as of September 30, 2023, or December 31, 2022. presented.

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

The Company has determined that sales incentive programs for the Company's sales team meet the requirements to be capitalized as the Company expects to generate future economic benefits from the related revenue generating contracts after the initial capital sales transaction. The costs capitalized as contract acquisition costs included in prepaid expenses and other assets in the Company's balance sheets were $0.1 million and $0.2 million as of September 30, 2023 March 31, 2024, and December 31, 2022, respectively. December 31, 2023. The Company did not incur any impairment losses during any of the periods presented.

Leases

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

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

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

As disclosed in Note 7, on March 1, 2021, the Company entered into an office lease agreement (the "Lease") with Globe Building Company (the "Landlord"), under which the Company is leasing executive office space and manufacturing facilities of approximately 43,100 square feet of rentable space located at 710 N. Tucker Boulevard, St. Louis, Missouri (the "Premises") that serves as the Company's principal executive and administrative offices and manufacturing facility. Lease payments commenced on January 1, 2022 and the lease has a term of ten years, with two renewal options of five years each. The minimum annual rent under the terms of the Lease ranges from approximately $0.8 million in 2022 to $1.0 million in 2031.

Cost of Contracts

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

Stock-Based Compensation

The Company accounts for its grants of Stock compensation expense, which is a non-cash charge, results from stock option, non-qualified stock options, stock appreciation rights, and restricted shares, restricted stock units share grants made to employees, non-employee directors, and for its employee stock purchase plan in accordance with the provisions of general accounting principles for share-based payments. These accounting principles require the determination of third-party consultants at the fair value of the stock-based compensation at the grant date and the recognition of the related expense over the period in which the stock-based compensation vests.

grants. For time-based awards, the Company utilizes the Black-Scholes valuation model to determine the fair value of stock options and stock appreciation rights granted was determined using the Black-Scholes valuation method which gives consideration to the estimated value of the underlying stock at the date of grant. grant, the exercise price of the option, the expected dividend yield and volatility of the underlying stock, the expected life of the option and the corresponding risk-free interest rate. The resulting compensation expense is recognized over fair value of the requisite service period, which is generally four years. Restricted grants of restricted shares and units granted to employees are valued at was determined based on the fair market value at closing price of our stock on the date of grant. The Company amortizes the fair market value to Stock compensation expense for options, stock appreciation rights and for time-based restricted share grants and units is amortized on a straight-line basis over the service period. If vesting period of the shares underlying issue, generally over four years except for grants to non-employee directors which are subject to performance objectives, the resulting generally earned over a period of six months. Stock compensation expense for performance-based restricted shares, if any, is amortized on a straight-line basis over the anticipated vesting period and is subject to adjustment based on the actual achievement of objectives. Compensation expense is recognized only for those options expected to vest, net of actual forfeitures. Estimates of the expected life of options have been based on the average of the vesting and expiration periods, which is the simplified method under general accounting principles for share-based payments. Estimates of volatility utilized in calculating stock-based compensation have been prepared based on historical data. Actual experience to date has been consistent with these estimates.

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

Shares purchased by employees under the 2022 Employee Stock Purchase Plans are considered The amount of compensation expense to be non-compensatory. recorded in future periods may increase if we make additional grants of options, stock appreciation rights or restricted shares. The amount of expense to be recorded in future periods may decrease if the requisite service periods are not completed.

Results of Operations

Comparison of the Three Months Ended September 30, 2023 March 31, 2024, and 2022 2023

Revenue. Revenue increased from $7.7 million $6.5 million for the three months ended September 30, 2022 March 31, 2023, to $7.8 million $6.9 million for the three months ended September 30, 2023 March 31, 2024, an increase of 2% 5%. Revenue from the sales of systems increased to $3.5 million $2.6 million for the three months ended September 30, 2023 March 31, 2024, from $2.4 million $1.8 million for the three months ended September 30, 2022 March 31, 2023, driven by increased system sales volumes and changes in product mix in the current year period. Revenue from sales of disposable interventional devices, service, and accessories decreased to approximately $4.3 million for the three months ended September 30, 2023 March 31, 2024, from $5.3 million $4.7 million for the three months ended September 30, 2022 March 31, 2023, a decrease of approximately 19% 10%. The decrease was primarily driven by lower service revenue from time and material contracts in addition to lower current period disposable sales and prior period royalties paid volumes related to the Company by Biosense Webster on the sale of co-developed catheters during the term of the agreement. catheter shortages.

Cost of Revenue. Cost of revenue increased from $3.1 million $2.7 million for the three months ended September 30, 2022 March 31, 2023, to $3.7 million $2.9 million for the three months ended September 30, 2023 March 31, 2024, an increase of approximately 21% 9%. As a percentage of our total revenue, overall gross margin decreased to 52% remained fairly consistent at 58% for the three months ended September 30, 2023 March 31, 2024, from 60% compared to 59% for the three months ended September 30, 2022, primarily due to changes in product mix. March 31, 2023. Cost of revenue for systems sold increased to $2.9 million $1.9 million for the three months ended September 30, 2023 March 31, 2024, from $2.0 million $1.7 million for the three months ended September 30, 2022 March 31, 2023, driven by increased system sales volumes and changes in product mix in the current year period. Gross margin for systems was $0.6 million $0.7 million for the three months ended September 30, 2023 March 31, 2024, compared to $0.4 million $0.1 million for the three months ended September 30, 2022 March 31, 2023. Cost of revenue for disposables, service, and accessories decreased from $1.1 million remained consistent at $1.0 million for the three months ended September 30, 2022 March 31, 2023, to $0.8 million for the three months ended September 30, 2023, driven by lower expenses incurred under service contracts and lower disposable sales volumes in the current year period. 2024. Gross margin for disposables, service, and accessories remained consistent at 80% was 76% for the three months ended September 30, 2023 March 31, 2024, and 2022. compared to 79% for the three months ended March 31, 2023.

Research and Development Expenses. Research and development expenses decreased from $2.8 million for the three months ended September 30, 2022, to $2.7 million for the three months ended September 30, 2023 March 31, 2023, to $2.2 million for the three months ended March 31, 2024, a decrease of approximately 5% 18%. This decrease was primarily driven by project timing and decreased headcount-related costs in the current year period. period, partially offset by higher clinical trial costs.

Sales and Marketing Expenses. Sales and marketing expenses remained consistent at decreased from $3.1 million for the three months ended September 30, 2022 March 31, 2023, and 2023. to $3.0 million for the three months ended March 31, 2024, a decrease of approximately 5% primarily due to decreased headcount-related costs in the current year period.

General and Administrative Expenses. General and administrative expenses include finance, information systems, legal, and general management. General and administrative expenses increased decreased from $3.7 million $3.6 million for the three months ended September 30, 2022 March 31, 2023, to $3.9 million $3.5 million for the three months ended September 30, 2023, an increase of approximately 7%. This increase was primarily driven by higher administrative expenses in the current period.

Interest Income (Expense). Net interest income was approximately $0.3 million for the three months ended September 30, 2023, compared to approximately $0.1 million for the three months ended September 30, 2022. The increase was driven by increased interest rates and higher invested balances in the current year period.

Comparison of the Nine Months Ended September 30, 2023 and 2022

Revenue. Revenue increased from $20.8 million for the nine months ended September 30, 2022, to $22.2 million for the nine months ended September 30, 2023, an increase of approximately 7%. Revenue from the sales of systems increased to $8.7 million for the nine months ended September 30, 2023, from $4.6 million for the nine months ended September 30, 2022, driven by increased system sales volumes in the current year period. Revenue from sales of disposable interventional devices, service and accessories decreased to $13.5 million for the nine months ended September 30, 2023, from $16.2 million for the nine months ended September 30, 2022 March 31, 2024, a decrease of approximately 16%. The decrease was primarily driven by prior period royalties paid to the Company by Biosense Webster on the sale of co-developed catheters during the term of the agreement and was enhanced by procedure challenges related to partner supply chain issues.

Cost of Revenue. Cost of revenue increased from $6.7 million for the nine months ended September 30, 2022, to $10.1 million for the nine months ended September 30, 2023, an increase of approximately 51%. As a percentage of our total revenue, overall gross margin decreased to 55% for the nine months ended September 30, 2023, from 68% for the nine months ended September 30, 2022, primarily due to changes in product mix. Cost of revenue for systems sold increased to $7.3 million for the nine months ended September 30, 2023, from $3.8 million for the nine months ended September 30, 2022, driven by higher system sales in the current year period. Gross margin for systems was $1.4 million for the nine months ended September 30, 2023, compared to $0.8 million for the nine months ended September 30, 2022. Cost of revenue for disposables, service, and accessories decreased from $2.9 million for the nine months ended September 30, 2022, to $2.8 million for the nine months ended September 30, 2023, driven by lower disposable sales volumes partially offset by higher expenses incurred under service contracts in the current period. Gross margin for disposables, service and accessories was 79% for the nine months ended September 30, 2023, compared to 82% for the nine months ended September 30, 2022. The decrease was driven primarily by the prior period royalties paid to the Company by Biosense Webster on the sale of co-developed catheters during the term of the agreement.

Research and Development Expenses. Research and development expenses decreased from $8.2 million for the nine months ended September 30, 2022, to $8.1 million for the nine months ended September 30, 2023, a decrease of 1% 4%. This decrease was driven by project timing lower administrative and headcount-related costs in the current period.

Sales and Marketing Expenses. Sales and marketing expenses increased from $9.3 million for the nine months ended September 30, 2022, to $9.6 million for the nine months ended September 30, 2023, an increase of approximately 3%. This increase was primarily due to increased travel and headcount expenses.

General and Administrative Expenses. General and administrative expenses include finance, information systems, legal, and general management. General and administrative expenses remained consistent at $11.0 million for the nine months ended September 30, 2022, and 2023.

Interest Income (Expense). Net interest income was approximately $0.8 million $0.2 million for the nine three months ended September 30, 2023 March 31, 2024, compared to approximately $0.2 million $0.3 million for the nine three months ended September 30, 2022 March 31, 2023. The increase decrease was driven by increased interest rates and higher lower invested balances in the current year period.

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, cash equivalents, and investments.

As of September 30, 2023 March 31, 2024, we had $23.0 million $18.2 million of cash and cash equivalents, inclusive of restricted cash. We had working capital of $22.5 million $18.4 million as of September 30, 2023 March 31, 2024, compared to $29.0 million $20.0 million as of December 31, 2022 December 31, 2023.

The following table summarizes our cash flow by operating, investing and financing activities for the nine three months ended September 30, 2023 March 31, 2024, and 2022 2023 (in thousands):

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Cash flow used in operating activities	$ (6,700)	$ (5,863)	$ (2,346)	$ (2,802)
Cash flow provided by (used in) investing activities	19,765	(2,009)		
Cash flow used in investing activities			-	(349)
Cash flow provided by financing activities	55	159	30	56

Net cash used in operating activities. We used approximately $6.7 million $2.3 million and $5.9 million $2.8 million of cash for operating activities during the nine three months ended September 30, 2023 March 31, 2024, and 2022, 2023, respectively. The increase decrease in cash used in operating activities was driven by the increase decrease in operating loss in the current year period partially offset by changes in working capital.

Net cash provided by (used in) used in investing activities. We generated approximately $19.8 million and did not use any cash for investing activities during the three months ended March 31, 2024. We used approximately $2.0 million of cash $0.3 million during the nine three months ended September 30, 2023 March 31, 2023, and 2022, respectively. The cash generated during the nine months ended September 30, 2023, was from proceeds received from the maturity of short-term investments. The cash used during the nine months ended September 30, 2022, was for the purchase of equipment, construction and design costs associated with our new facility.

Net cash provided by financing activities. We generated less than $0.1 million and approximately $0.2 million of cash from financing activities during the nine three months ended September 30, 2023 March 31, 2024, and 2022, respectively. 2023. The cash generated in both periods was driven by the proceeds from issuance of stock from the exercise of options, net of issuance costs. costs, and from our employee stock purchase program.

Capital Resources

As of September 30, 2023 March 31, 2024, the Company did not have any debt.

Off-Balance Sheet Arrangements

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

ITEM 3. [RESERVED]

None.

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

We maintain our cash at financial institutions, often in balances that exceed federally insured limits: Adverse developments that affect financial institutions, transactional counterparties, or other third parties, or concerns or rumors about these events, have in the past and may in the future lead to market-wide liquidity problems. The majority of our cash is held in accounts at U.S. banking institutions that we believe are of high quality. Cash held in depository accounts may exceed the $250,000 Federal Deposit Insurance Corporation ("FDIC") insurance limits. If such banking institutions were to fail, we could lose all or a portion of those amounts held in excess of such insurance limitations. On March 10, 2023, Silicon Valley Bank ("SVB"), where the Company maintained accounts with a cash balance of less than 6% of the Company's total cash, cash equivalents and marketable securities, was closed by the California Department of Financial Protection and Innovation and the FDIC was appointed as receiver. On March 12, 2023, the U.S. Department of the Treasury, Federal Reserve Board, and FDIC released a joint statement announcing that the FDIC would complete its resolution of SVB in a manner that fully protected all depositors at SVB and that depositors would have access to all of their money starting March 13, 2023. On March 26, 2023, it was announced that First-Citizens Bank & Trust Company would assume all of SVB's deposits and loans as of March 27, 2023. During the periods presented, the Company has not experienced any losses on its deposits of cash, cash equivalents or marketable securities. However, in the future, our access to our cash in amounts adequate to finance our operations could be significantly impaired by the financial institutions with which we have arrangements directly facing liquidity constraints or failures. Any material loss that we may experience in the future could have a material adverse effect on our business and our financial condition. None.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. [RESERVED]

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

STEREOTAXIS, INC.
SIGNATURES

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

STEREOTAXIS, INC. (Registrant)

Date: November 13, 2023 May 15, 2024	By: */s/ David L. Fischel* **David L. Fischel** **Chief Executive Officer**
Date: November 13, 2023 May 15, 2024	By: */s/ Kimberly R. Peery* **Kimberly R. Peery** **Chief Financial Officer**

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Exhibit 31.1

Certification of Principal Executive Officer

I, David L. Fischel, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 13, 2023 May 15, 2024	*/s/ David L. Fischel* David L. Fischel Chief Executive Officer Stereotaxis, Inc. (Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer

I, Kimberly R. Peery, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 13, 2023 May 15, 2024

/s/ Kimberly R. Peery

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

Exhibit 32.1

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

In connection with the quarterly report of Stereotaxis, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David L. Fischel, Chief Executive Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

Date: November 13, 2023 May 15, 2024

/s/ David L. Fischel

David L. Fischel
Chief Executive Officer
Stereotaxis, Inc.

Exhibit 32.2

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

In connection with the quarterly report of Stereotaxis, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kimberly R. Peery, Chief Financial Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

Date: November 13, 2023 May 15, 2024

/s/ Kimberly R. Peery

Kimberly R. Peery
Chief Financial Officer
Stereotaxis, Inc.
