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Stereotaxis, Inc.
Form DEF 14A
April 24, 2007

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

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO. _____)

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

[] Preliminary Proxy Statement

[] Confidential, for Use of the Commission Only (as permitted by
Rule 14a-6(e)(2))

[X] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Materials Pursuant to Rule 14a-11(c) or Rule 14a-12

STEREOTAXIS, INC.

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box)

[X] No Fee required.

[] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies.

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed
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(4) Proposed maximum aggregate value of transaction: _____

(5) Total fee paid: _____

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[] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid: _____

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(3) Filing Party: _____

(4) Date Filed: _____

* Set forth the amount on which the filing fee is calculated and state how it was determined.

[Stereotaxis Logo]

STEREOTAXIS, INC.
4320 Forest Park Avenue
Suite 100
St. Louis, Missouri 63108
(314) 678-6100

April 23, 2007

Dear Stockholder:

You are cordially invited to attend the Company's Annual Meeting of Stockholders on May 24, 2007. We will hold the meeting at 9:00 a.m. Central Daylight Time at 4320 Forest Park Avenue, Suite 100, St. Louis, Missouri 63108. In connection with the meeting, we enclose a notice of the meeting, a proxy statement and a proxy card. Detailed information relating to the Company's activities and operating performance is contained in our 2006 Annual Report to Stockholders and Form 10-K, which are also enclosed.

At the meeting you will be asked to elect four directors, approve an amendment to our 2002 Stock Incentive Plan to increase the number of shares reserved for issuance thereunder by 1,000,000 shares and approve the plan for IRS Section 162(m) purposes, ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the Company's current fiscal year, and transact such other business as may properly come before the meeting.

Whether or not you plan to attend the Annual Meeting of Stockholders, we encourage you to vote your shares. If your shares are held in the name of a bank, broker or other holder of record, you must present proof of your ownership, such as a bank or brokerage account statement, to be admitted to the meeting. All stockholders must also present a form of

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personal identification in order to be admitted to the meeting. You may vote by mail, Internet, telephone, or in person at the meeting.

On behalf of the entire board, we look forward to seeing you at the meeting.

Sincerely,

/s/ Fred A. Middleton

Fred A. Middleton
Chairman of the Board of Directors

[Stereotaxis Logo]

STEREOTAXIS, INC.
4320 Forest Park Avenue
Suite 100
St. Louis, Missouri
63108
(314) 678-6100

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
MAY 24, 2007

The Annual Meeting of Stockholders of Stereotaxis, Inc. will be held at 4320 Forest Park Avenue, Suite 100, St. Louis, Missouri, on Thursday, May 24, 2007, at 9:00 a.m., Central Daylight Time, for the following purposes:

1. To elect four directors to serve until our 2010 Annual Meeting;
2. To approve an amendment to the our 2002 Stock Incentive Plan to increase the number of shares reserved for issuance thereunder by 1,000,000 shares and approve the plan for IRS Rule 162(m) purposes;
3. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2007; and
4. To transact such other business as may properly come before the meeting.

We first began delivering to all stockholders of record this proxy statement and the accompanying form of proxy on April 23, 2007. We sent our Annual Report for the fiscal year ended December 31, 2006, including Form 10-K, but excluding exhibits, to stockholders at the same time.

By Order of the Board of Directors,
STEREOTAXIS, INC.

/s/ James L. Nouss, Jr.

James L. Nouss, Jr.

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Secretary

St. Louis, Missouri
April 23, 2007

IMPORTANT NOTICE
PLEASE VOTE YOUR SHARES PROMPTLY

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I. QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

Q. WHY AM I RECEIVING THESE MATERIALS?

The Board of Directors of Stereotaxis, Inc. (the "Company") is soliciting proxies from the Company's stockholders in connection with its 2007 Annual Meeting of Stockholders to be held on Thursday, May 24, 2007, and any and all adjournments thereof. These materials were first sent to our stockholders on or about April 23, 2007. You are encouraged to vote on the proposals presented in these proxy materials. You are invited to attend the annual meeting, but you do not have to attend to vote.

Q. WHEN AND WHERE IS THE ANNUAL MEETING?

We will hold the annual meeting of stockholders on Thursday, May 24, 2007, at 9:00 a.m., Central Daylight Time, at 4320 Forest Park Avenue, Suite 100, St. Louis, Missouri 63108.

Q. WHO IS ENTITLED TO VOTE AT THE MEETING?

You are entitled to vote (in person or by proxy) if you were a stockholder of record of shares of our common stock at the close of business on March 27, 2007, the record date for the meeting. On March 27, 2007, there were 36,806,643 shares of our common stock outstanding and entitled to vote and no shares of our preferred stock outstanding.

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Q. WHAT AM I BEING ASKED TO VOTE ON AT THE MEETING?

We are asking our stockholders to (1) elect four Class III directors to serve until our 2010 Annual Meeting of Stockholders (2) approve an amendment to our 2002 Stock Incentive Plan to increase the number of shares reserved for issuance thereunder by 1,000,000 shares and approve the plan for IRS Rule 162(m) purposes and (3) ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2007 fiscal year.

Q. HOW DO I VOTE?

Whether or not you expect to be present in person at the annual meeting, you are requested to vote your shares. Most stockholders will be able to choose whether they wish to vote using the Internet, by telephone or mail. The availability of Internet voting or telephone voting for stockholders whose shares are held in street name by a bank or a broker may depend on the voting processes of that organization. If you vote using the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible. Internet and telephone voting facilities will be available 24 hours a day and will close at 5:00 p.m., Central Daylight Time, on May 23, 2007. If you vote using the Internet or by telephone, you do not need to return your proxy card.

- * Internet - The website for Internet voting is <https://www.proxypush.com/stxs>. Please have your proxy card available and follow the simple instructions on the screen.
- * Telephone - The toll-free telephone number for telephone voting is 866-813-1449. Please have your proxy card available and follow the simple recorded instructions.
- * Mail - Please complete, sign, date, and return the enclosed form of proxy. The shares represented thereby will be voted in accordance with your instructions.
- * In-person - You may vote by ballot.

If you do not attend the meeting, your shares of common stock may be voted only when represented by a properly executed proxy. If you hold your shares in street name through a bank or broker, your bank or broker will send you a separate package describing the procedures and options for voting your shares.

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Q. WHAT IF I WANT TO CHANGE MY VOTE?

If you are a stockholder of record, you can revoke your proxy at any time before it is exercised by:

- * timely delivery of a properly executed, later-dated proxy;
- * submission of a later vote by Internet or telephone any time prior to 5:00 p.m., Central Daylight Time, on May 23, 2007;
- * delivery of a written revocation of your proxy to our Secretary; or

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* voting by ballot at the meeting.

If your shares are held in the name of a bank or brokerage firm, you may change your vote by submitting new voting instructions to your bank or broker. If your bank or broker permits you to vote by Internet or telephone, you may also be permitted to change your vote by Internet or telephone, depending on the processes of that organization.

Q. WHAT VOTE OF THE STOCKHOLDERS IS NEEDED?

No business can be conducted at the annual meeting unless a majority of the outstanding shares of common stock entitled to vote is present in person or represented by proxy at the meeting. Each share of our common stock is entitled to one vote with respect to each matter on which it is entitled to vote. A plurality of the shares entitled to vote and present in person or by proxy at the meeting must be voted "FOR" a director nominee. A majority of shares entitled to vote and present in person or by proxy at the meeting must be voted "FOR" the approvals relating to the 2002 Stock Incentive Plan, "FOR" the ratification of Ernst & Young LLP as our independent registered public accounting firm for the 2007 fiscal year and "FOR" such other business as may properly come before the meeting.

Q. WHAT DO I DO IF MY SHARES OF COMMON STOCK ARE HELD IN "STREET NAME" AT A BANK OR BROKERAGE FIRM?

If your shares are held in street name by a bank or brokerage firm as your nominee, your bank or broker will send you a separate package describing the procedure for voting your shares. You should follow the instructions provided by your bank or brokerage firm.

Q. WHAT HAPPENS IF I RETURN MY SIGNED PROXY CARD BUT FORGET TO INDICATE HOW I WANT MY SHARES OF COMMON STOCK VOTED?

If you sign, date and return your proxy and do not mark how you want to vote, your proxy will be counted as a vote "FOR" all of the nominees for directors, "FOR" the approvals relating to the 2002 Stock Incentive Plan and "FOR" the ratification of our independent registered public accounting firm, and in the discretion of the proxy holders for such other business as may properly come before the meeting.

Q. WHAT HAPPENS IF I DO NOT INSTRUCT MY BROKER HOW TO VOTE OR IF I MARK "ABSTAIN" ON THE PROXY?

If you mark your proxy "abstain," your vote will have the same effect as a vote against the proposal or the election of the applicable director. If you do not instruct your broker how to vote, your broker will vote your shares for you at his or her discretion on routine matters such as the election of directors and ratification of the independent registered public accounting firm. Broker non-votes with respect to a matter will not be considered as present and entitled to vote with respect to that matter and thus will have no effect on the vote for that matter.

The approval of the amendment to the 2002 Stock Incentive Plan is a non-routine matter. Therefore, unless you give specific instructions to your broker regarding voting on the approval of the amendment, your broker will be unable to vote your shares on that matter. Non-voted shares on non-routine matters are "broker non-votes".

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Q. WHAT DO I NEED TO DO IF I PLAN TO ATTEND THE MEETING IN PERSON?

If your shares are held in the name of a bank, broker or other holder of record, you must present proof of your ownership, such as a bank or brokerage account statement, to be admitted to the meeting. All stockholders must also present a form of personal identification in order to be admitted to the meeting.

II. PROPOSAL I: ELECTION OF DIRECTORS

Under the Company's restated certificate of incorporation, the number of directors shall be fixed by the board of directors in the manner provided in the Company's bylaws. Under the Company's restated bylaws, subject to the rights of the holders of any series of preferred stock, the number of directors of the Company may be fixed or changed from time to time by resolution of a majority of the board of directors; provided the number shall be no less than three (3) and no more than fifteen (15), or, if the number is not fixed, the number shall be ten (10). Currently, we have authorized a thirteen (13) member board of directors. Under the Company's restated bylaws, the directors are divided into three (3) classes, Class I, Class II and Class III, each class to be as nearly equal in number as possible. The term of office of each director shall be until the third annual meeting following his or her election and until the election and qualification of his or her successor.

The nominating and corporate governance committee of the board of directors has nominated the Class III Directors, Fred A. Middleton, William M. Kelley, William C. Mills, III and Bevil J. Hogg, to serve as directors until the 2010 Annual Meeting of Stockholders. Certain information with respect to the nominees for election and the other directors whose terms of office as directors will continue after the Annual Meeting of Stockholders is set forth under the heading "Directors and Officers" below. Proxies cannot be voted for a greater number of persons than the number of nominees named in each Class.

The board of directors does not contemplate that any of the nominees will be unable to stand for election, but should any nominee become unable to serve or for good cause will not serve, all proxies (except proxies marked to the contrary) will be voted for the election of a substitute nominee as our board may recommend.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF
THE NAMED NOMINEES AS DIRECTORS

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III. DIRECTORS AND EXECUTIVE OFFICERS

Set forth below is the name, age, position and a brief account of the business experience of each of the executive officers, directors, nominees and key employees of the Company. There are no family relationships between any of our directors and executive officers.

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| NAME | AGE | POSITION(S) |
|---------------------------|-----|---|
| Bevil J. Hogg | 58 | Chief Executive Officer, Director |
| Michael P. Kaminski | 47 | President and Chief Operating Officer |
| James M. Stolze | 63 | Chief Financial Officer and Vice President |
| Douglas M. Bruce | 49 | Senior Vice President, Research & Development |
| Melissa C. Walker | 50 | Senior Vice President, Regulatory, Quality, and |
| Ruchir Sehra, M.D. | 38 | Vice President, Clinical Affairs and Chief Medi |
| Fred A. Middleton | 57 | Chairman of the Board of Directors |
| Abhi Acharya, Ph.D. | 66 | Director |
| Christopher Alafi, Ph.D. | 43 | Director |
| David W. Benfer | 60 | Director |
| Ralph G. Dacey, Jr., M.D. | 58 | Director |
| Gregory R. Johnson, Ph.D. | 63 | Director |
| William M. Kelley | 71 | Director |
| Abhijeet J. Lele | 41 | Director |
| Robert J. Messey | 61 | Director |
| William C. Mills, III | 51 | Director |
| Eric N. Prystowsky, M.D. | 59 | Director |

CLASS III DIRECTORS (TERMS EXPIRING AT THE 2007 ANNUAL MEETING;
NOMINEES FOR REELECTION TO THE BOARD AT THE 2007 MEETING)

Bevil J. Hogg has served as our Chief Executive Officer and a director since June 1997. Prior to February 2007, he also served as our President; Mr. Hogg retired from that position concurrent with the appointment of Michael Kaminski, our Chief Operating Officer, to President and Chief Operating Officer. From 1994 through 1996, Mr. Hogg served as President and Chief Executive Officer of Everest & Jennings International Ltd., a manufacturer of wheelchairs and other hospital, home care and nursing home products. Prior to Everest & Jennings, he was a founder or co-founder of three companies, including Trek Bicycle Corporation. Mr. Hogg received a Diplome Superior d'Etudes Francaises from the Sorbonne (University of Paris, France).

Fred A. Middleton has served as the Chairman of our board of directors since June 1990. Mr. Middleton has been a General Partner in Sanderling Ventures since 1987. Prior to that time, he was an independent investor in the biomedical field. From 1984 to 1986, Mr. Middleton was Managing General Partner of Morgan Stanley Ventures. He joined Genentech, Inc. in 1978 and was a part of the management team in the company's early

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formative period, assisting in developing its strategy and holding a variety of roles including Vice Presidencies of Finance, Administration, and Corporate Development, and Chief Financial Officer. Mr. Middleton also served as President of Genentech Development Corporation. Prior to that time, he served as a consultant with McKinsey & Company and as a Vice President of Chase Manhattan Bank. Mr. Middleton holds an M.B.A. from Harvard University and a B.S. degree in Chemistry from the Massachusetts Institute of Technology.

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William M. Kelley has served as a director since January 2003. Mr. Kelley has served as the Chairman Emeritus of Hill-Rom Company since July 2005 and prior to that time held the position of Chairman since 1995. He also currently serves as President of Advisors to Healthcare Suppliers. While at Hill-Rom, Mr. Kelley also served as President and CEO from 1992 to 1995, Sr. Vice President, Sales and Operations from 1989 to 1992 and Sr. Vice President, Sales and Marketing from 1980 to 1989. He currently serves on the board of Barton Medical Corporation and the advisory boards of Emmi Solutions, LLC and American Healthcare Solutions. He has been honored numerous times for his contributions to the healthcare industry including as an Honorary Fellow of the American College of Health Care Executives. He was educated at Hanover College and George Washington University.

William C. Mills, III has served as a director since June 2000. In August 2004, Mr. Mills became a managing member of a new management company being formed by EGS Healthcare Capital Partners to manage EGS Private Healthcare Partnership III. Before joining EGS, Mr. Mills was a Partner in the Boston office of Advent International, a venture capital firm, for five years. At Advent, he was co-responsible for healthcare venture capital investments and focused on investments in the medical technology and biopharmaceutical sectors. He has over 26 years of venture capital experience. Before joining Advent, Mr. Mills spent over 11 years with the Venture Capital Fund of New England where he was a General Partner. Prior to that, he spent seven years at PaineWebber Ventures/Ampersand Ventures as Managing General Partner. Currently, he is a member of the Board of Managers of Ascension Health Ventures. Mr. Mills received his A.B. in Chemistry, cum laude, from Princeton University, his S.M. in Chemistry from the Massachusetts Institute of Technology and his M.S. in Management from MIT's Sloan School of Management.

CLASS I DIRECTORS (TERMS EXPIRING AT THE 2008 ANNUAL MEETING)

Abhi Acharya, Ph.D. has served as a director since February 2005. Dr. Acharya is currently self-employed as a consultant in the medical device industry. From 1994 to 1997, he was the Vice President Regulatory Affairs, Quality Assurance and Clinical Research at Target Therapeutics and from 1993 to 1994, he was a Senior Technical Advisor at Biometric Research Institute. From 1977 to 1993, Dr. Acharya held various positions at the U.S. Food and Drug Administration including Director of the Division of Cardiovascular, Respiratory and Neurological Devices. He currently serves as a director at Neomend, Inc, InfraReDx, Inc. and Regen Biologics after having previously served as a director of Somnus Medical Technologies, Inc. Dr. Acharya holds a B. Tech degree in Metallurgical Engineering from the Indian Institute of Technology (Kharagpur, India) and an M.S. and Ph.D. in Biomaterials Engineering from Northwestern University.

David W. Benfer has served as a director since February 2005. Since

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1999, Mr. Benfer has served as President and Chief Executive Officer of Saint Raphael Healthcare System and the Hospital of Saint Raphael, New Haven, Connecticut. Previously, he was the President and Chief Executive Officer of the Provena-Saint Joseph/Morris Health Network in Joliet, Illinois from 1992 to 1999. Mr. Benfer served as Senior Vice President for Hospital and Urban Affairs for the Henry Ford Health System in Detroit and Chief Executive Officer of the Henry Ford Hospital from 1985 to 1992. He served as the Chairman of the American College of Healthcare Executives (ACHE) from 1998 to 1999 and on their Board of Governors from 1992 to 2000. Mr. Benfer was named a Fellow of ACHE in 1981 and serves on the Board of the Catholic Health Association. He earned his B.S.B.A. from Wittenburg University and his M.B.A. from Xavier University.

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

Eric N. Prystowsky, M.D. has served as a director since February 2007. Dr. Prystowsky is currently the Director of the Clinical Electrophysiology Laboratory at St. Vincent Hospital in Indianapolis, Indiana, as well as a Consulting Professor of Medicine at Duke University Medical Center. He chairs the American Board of Internal Medicine's test writing committee for the Electrophysiology Board Certification Examination and also serves as

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Editor-in-Chief of the Journal of Cardiovascular Electrophysiology. Dr. Prystowsky also serves on the Board of Directors of CardioNet, a privately held cardiac rhythm services company. From 1979 to 1986, Dr. Prystowsky served as a full time faculty member at the Indiana University School of Medicine, where he was Director of the Electrophysiology Laboratory. He graduated from Pennsylvania State University in 1969 and the Mt. Sinai School of Medicine in 1973. Dr. Prystowsky completed his internal medicine training at Mt. Sinai Hospital, in New York City, and his training in cardiology and clinical electrophysiology at Duke University Medical Center.

CLASS II DIRECTORS (TERMS EXPIRING AT THE 2009 ANNUAL MEETING)

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

Ralph G. Dacey, Jr., M.D., has served as a director since March 2003. Dr. Dacey has been the Chairman of Neurosurgery at Washington

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University in St. Louis since 1989. Prior to joining Washington University, he was an Assistant Professor of Neurological Surgery at the University of Washington and a Professor and Chief of the Division of Neurosurgery at the University of North Carolina at Chapel Hill. Dr. Dacey received his B.A. from Harvard University and his M.D. from the University of Virginia School of Medicine. He has served as the Secretary of the American Board of Neurological Surgeons and is a voting member of the American Board of Medical Specialties. Dr. Dacey is also the Chairman of our Scientific Advisory Board and served as Principal Investigator of our first Human Clinical Trial (frontal lobe biopsy).

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

Robert J. Messey has served as a director since May 2005. Mr. Messey has served as the Senior Vice President and Chief Financial Officer of Arch Coal, Inc. since December 2000. Prior to joining Arch Coal, he served as the Vice President of Financial Services of Jacobs Engineering Group, Inc. from 1999 to 2000 and as Senior Vice President and Chief Financial Officer of Sverdrup Corporation from 1992-1999. Mr. Messey was an audit partner at Ernst & Young from 1981 to 1992. He currently serves as a director and chairman of the audit committee of Baldor Electric Company. Mr. Messey earned his B.S.B.A. from Washington University.

EXECUTIVE OFFICERS

Michael P. Kaminski has served as our Chief Operating Officer since he joined the Company in April 2002. Mr. Kaminski was named President in February 2007, and will continue to retain the title Chief Operating Officer. Prior to joining the Company, Mr. Kaminski spent nearly 20 years with Hill-Rom Company (Hillenbrand Industries). In his last position with Hill-Rom, Mr. Kaminski served as Senior Vice President of North American Sales and Service. Prior to that, he served as General Manager of the Acute Care Hospital Division of Hill-Rom. Mr. Kaminski earned an M.B.A. from Xavier University and a B.S. in Marketing from Indiana University.

James M. Stolze has served as our Vice President and Chief Financial Officer since he joined the Company in May 2004. Prior to joining the Company, Mr. Stolze spent eight years as Executive Vice President and Chief Financial Officer of MEMC Electronic Materials, Inc., from 1995 to 2003. Prior to MEMC, Mr. Stolze was an audit partner with KPMG LLP. Mr. Stolze currently sits on the board of directors and audit committee of ESCO Technologies, Inc., a public company listed on the New York Stock Exchange. Mr. Stolze earned an M.B.A. from the University of

Michigan and a B.S. in Mechanical Engineering from the University of Notre Dame and is a certified public accountant.

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

Melissa C. Walker has served as our Senior Vice President, Regulatory, Quality, and Compliance since March 2006. From 2005 to March 2006 she served as our Vice President, Regulatory Affairs and Quality Systems, and, since joining the Company in 2001 to 2005 she served as our Vice President Regulatory, Quality, and Clinical Affairs. Prior to joining the Company, Ms. Walker led the global regulatory team at Bausch & Lomb Surgical, Inc., a subsidiary of Bausch & Lomb, Inc. and a leading manufacturer of surgical instruments for the eye, from 1997 to 2000. Prior to Bausch & Lomb Surgical, Inc., Ms. Walker was Director of Regulatory Affairs at Ethicon Endo-Surgery, Inc., a Johnson & Johnson Company and a recognized leader in the manufacture of surgical instruments used for minimally invasive surgery, from 1992 to 1997. Ms. Walker served on the board of directors for the Regulatory Affairs Professionals Society from 1997 to 2002 and was formerly the Board Chairman. Ms. Walker received a M.S. degree in Zoology and a B.S. in Biology from East Texas State University.

Ruchir Sehra, M.D., has served as our Vice President and Chief Medical Officer since joining the Company in 2005. Prior to joining the Company, Dr. Sehra spent nearly two years as Vice President of Clinical Affairs and Medical Director for CryoCor, Inc. a privately held cardiac medical device manufacturer. Prior to his employment at CryoCor, Dr. Sehra served from 1999 to 2004 as Associate Professor of Pediatrics and Medicine at Loma Linda University where he practiced full time electrophysiology and was Director of Business Operations for an 85 physician practice. Dr. Sehra received his B.A. from Wabash College and his M.D. from Indiana University School of Medicine. He also received an MBA from the University of California, Irvine. He is a fellow of the American College of Cardiology.

CORPORATE GOVERNANCE

Our board of directors has determined that each of our directors, other than Mr. Hogg, and each member of the audit committee, compensation committee, and nominating and corporate governance committee is independent under the rules of the Nasdaq Global Market. As a result, our board currently has a majority of independent directors consistent with the rules of the Nasdaq Global Market. Our independent directors have regularly scheduled meetings at which only the independent directors are present.

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee and adopted charters for each of these committees. We believe that the composition of each of these committees meets the criteria for independence under, and the functioning of these committees complies with, the applicable requirements of, the current rules and regulations of the Nasdaq Global Market and Securities and Exchange Commission ("SEC").

BOARD MEETINGS AND COMMITTEES

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During fiscal year 2006, the board of directors met six times. During fiscal year 2006, all incumbent directors attended 75% or more of the aggregate meetings of the board and of the board committees on which they served during the period they held office. Directors are encouraged, but not required, to attend our annual meetings of stockholders.

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AUDIT COMMITTEE

Our audit committee currently consists of Messrs. Mills, Messey and Benfer, all of whom qualify as "independent directors" and as audit committee members under the Nasdaq Global Market rules, and Mr. Mills serves as the chair of the audit committee. Mr. Messey qualifies as an audit committee financial expert under SEC rules and regulations. Our board of directors has determined that each of our current audit committee members is financially sophisticated as set forth in Rule 4350(d)(2)(A) of the Nasdaq Global Market.

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

- * the integrity of our financial statements;
- * our accounting and financial reporting process, including our internal controls;
- * our compliance with legal and regulatory requirements;
- * the independent registered public accountants' qualifications and independence; and
- * the performance of our independent registered public accountants.

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

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

During fiscal year 2006, the audit committee met seven times. Our written audit committee charter was previously attached as Exhibit A to our Proxy Statement filed with the SEC on April 14, 2005.

COMPENSATION COMMITTEE

Our compensation committee currently consists of Messrs. Middleton, Johnson and Kelley, each of whom qualify as "independent directors" under the Nasdaq Global Market rules and as "outside directors" under the Internal Revenue Code of 1986. Mr. Middleton serves as the chair of the compensation committee.

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

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

During fiscal year 2006, the compensation committee met four times. Our written compensation committee charter was previously attached as Exhibit B to our Proxy Statement filed with the SEC on April 14, 2005.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Our nominating and corporate governance committee currently consists of Messrs. Mills, Acharya and Lele, each of whom qualify as "independent directors" under the Nasdaq Global Market rules. Mr. Mills serves as

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chairman of the nominating and corporate governance committee. The nominating and corporate governance committee assists the board of directors in:

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

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

During fiscal year 2006, the nominating and corporate governance committee met four times. Our written nominating and corporate governance committee charter was attached as Exhibit C to our Proxy Statement filed with the SEC on April 14, 2005.

DIRECTOR NOMINATIONS

Our restated bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide timely notice in writing. To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices not more than 120 days or less than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders. However, in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date,

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notice by the stockholder in order to be timely must be received not later than the close of business on the 10th day following the date on which notice of the date of the annual meeting was mailed to stockholders or made public, whichever first occurs. Our restated bylaws specify requirements as to the form and content of a stockholder's notice. These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

Any stockholder wishing to submit a candidate for consideration should send the following information to the Corporate Secretary, Stereotaxis, Inc., 4320 Forest Park Avenue, Suite 100, St. Louis, Missouri 63108:

- * Stockholder's name, number of shares owned, length of period held, and proof of ownership;
- * Name, age, business and residential address of candidate;
- * A detailed resume describing among other things the candidate's educational background, occupation, employment history, and material outside commitments (e.g., memberships on other boards and committees, charitable foundations);
- * A supporting statement which describes the candidate's reasons for seeking election to the board, and documents his/her ability to satisfy the director qualifications described herein;
- * Any information relating to the candidate that is required to be disclosed in the solicitation of proxies for election of director;
- * The class and number of shares of our capital stock that are beneficially owned by the candidate;
- * A description of any arrangements or understandings between the stockholder and the candidate; and
- * A signed statement from the candidate, confirming his/her willingness to serve on the board.

Our Corporate Secretary will promptly forward such materials to the chair of our nominating and corporate governance committee and our Chairman of the Board. Our Corporate Secretary will also maintain copies of such materials for future reference by the committee when filling board positions. Stockholders may submit potential

director candidates at any time pursuant to these procedures. The committee will consider such candidates if a vacancy arises and at such other appropriate times. Notwithstanding the foregoing, the committee is not obligated to review any candidate for which the required information is not provided by the time set forth in our restated bylaws for the nomination of director candidates by a stockholder that is not approved by the committee or the board. See also "General Information - Stockholder Proposals."

STOCKHOLDER COMMUNICATIONS POLICY

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Any security holder wishing to send communications to our board should send the written communication and the following information to our Corporate Secretary, Stereotaxis, Inc., 4320 Forest Park Avenue, Suite 100, St. Louis, Missouri 63108:

- * Security holder's name, number of shares owned, length of period held, and proof of ownership;
- * Name, age, business and residential address of security holder; and
- * Any individual director or committee to whom the security holder would like to have the written statement and other information sent.

The Corporate Secretary will forward the information to the Chairman of the Board, if addressed to the full board, or to the specific director to which the communication is addressed.

CODE OF BUSINESS CONDUCT AND ETHICS

Our Board of Directors adopted a Code of Business Conduct and Ethics for all of our directors, officers and employees effective August 1, 2004. Stockholders may download a free copy of our Code of Business Conduct and Ethics from our website (www.stereotaxis.com) or by request of our Chief Financial Officer as follows:

Stereotaxis, Inc.
Attention: James M. Stolze
4320 Forest Park Avenue, Suite 100
St. Louis, MO 63108
314-678-6100

To the extent required by law or the rules of the Nasdaq Global Market, any amendments to, or waivers from, any provision of the Code of Business Conduct and Ethics will be promptly disclosed publicly. To the extent permitted by such requirements, we intend to make such public disclosure by posting the relevant material on our website (www.stereotaxis.com) in accordance with SEC rules.

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IV. DIRECTOR AND EXECUTIVE COMPENSATION

BOARD PROCESSES AND PROCEDURES FOR THE CONSIDERATION AND DETERMINATION OF EXECUTIVE AND DIRECTOR COMPENSATION

In accordance with the compensation committee charter, the compensation committee is responsible for establishing and reviewing the Company's overall management compensation philosophy and policy, and administering the Company's executive and director compensation programs. As part of its duties, the compensation committee assists management and the board of directors in defining an executive compensation policy that supports overall business strategy and objectives, attracts and retains key executives, links compensation with business objectives and organization performance in good and bad times, and provides competitive compensation opportunities. The committee has the authority to determine the total compensation package, including salaries, bonuses, stock options, stock

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award, benefits and other compensation arrangements, for the Chief Executive Officer and other executive officers of the Company. As part of that process the committee reviews and approves the performance objectives of the Chief Executive Officer and other executives and evaluates their performance to determine whether such objectives have been achieved. Although the charter delegates this responsibility to the compensation committee, the committee has historically chosen to consult with the board of directors on the compensation of the Chief Executive Officer and the other key executives because the committee believes that the performance and compensation of that group is so critical to the success of the Company that Board involvement in such decision is appropriate.

The compensation committee seeks advice from consultants with respect to compensation policies and programs for Named Executive Officers, as appropriate. A more detailed discussion of the compensation committee's past and current consulting relationships is described in the Compensation Discussion and Analysis section of this proxy statement.

The compensation committee also leverages the Company's management and human resources professionals to assist the committee in the timely and cost-effective fulfillment of its duties. The committee solicits input from the Chief Executive Officer and human resources professionals regarding compensation policies and levels.

Following the completion of the Company's fiscal year, typically in February of each year, the compensation committee meets to conduct its annual review of the Company's compensation programs and packages. The compensation committee does not permit members of the Company's management to materially participate in the determination of their particular compensation, nor does the committee permit members of management, including the Chief Executive Officer, to be physically present for those portions of committee meetings during which the particular member of the management team's performance and compensation are reviewed and determined. However, these protocols do not prohibit members of management and the Chief Executive Officer from participating in, and being physically present, when compensation matters affecting Company employees (such as the Company's annual bonus incentive plan) are discussed and determined. The compensation committee believes that it is crucial for members of the Company's management to be materially involved in, and manage the details associated with, the compensation programs and policies of the Company in order for the management to explain and implement the committee's decisions with respect to executive and employee compensation.

The board of directors has delegated to the nominating and corporate governance committee responsibility for overseeing the structure, operations, and composition of the board of directors and its committees. However, the nominating and corporate governance committee does not have a direct role in the determination of Board member compensation. Rather, the compensation committee is tasked in its charter with making changes to the outside directors' compensation program in respect of competitiveness and plan design. The compensation committee leverages independent consultants and the Company's human resources professionals and management, as appropriate, to assist the compensation committee in making recommendations to the Board with respect to director compensation. The Board did not increase its compensation during 2006, but the Board intends to periodically review Board compensation from time to time.

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DIRECTOR COMPENSATION

DIRECTOR COMPENSATION POLICIES

In March 2002, we adopted the 2002 Non-Employee Directors' Stock Option Plan to provide for the automatic grant of options to purchase shares of common stock to our non-employee directors. Under this Plan, at each annual stockholder meeting, all non-employee directors receive an annual option to purchase 7,500 shares of common stock, or 15,000 in the case of the chairman. Newly elected directors receive an initial option to purchase 15,000 shares of common stock which vest over a two-year period with 50% vesting after the first year and the remainder vesting monthly thereafter. In addition, the Chairman and/or Designated Financial Expert of the audit committee receive an annual grant of 5,000 shares and the chairman of the compensation committee and the chairman of the nominating and corporate governance committee receive an annual grant of 2,500 shares. Such options are granted at a price equal to the fair market value of the stock on the date of grant and have a term of 10 years.

In addition, non-employee directors receive cash compensation for their services as board members. Each non-employee director is entitled to an \$18,000 annual retainer (\$24,000 for the chairman) for board membership and an additional payment of \$1,500 per in-person board meeting and \$500 per telephonic board meeting. Each member of the audit committee, compensation committee and nominating and corporate governance committee is entitled to a \$2,500 annual retainer. The chairman/designated financial expert of the audit committee is entitled to a \$7,500 annual retainer and the chairman of the compensation committee and the chairman of the nominating and corporate governance committee are each entitled to a \$5,000 annual retainer in lieu of the member retainer.

We reimburse our directors for reasonable out-of-pocket expenses incurred in connection with attendance and participation in Board and committee meetings.

The following table discloses compensation information of members of the Company's board of directors for serving as members of the Company's board in 2006:

| NAME | FEES EARNED OR PAID IN CASH (\$) | OPTION AWARDS (\$) (1) |
|-------------------------------|--|---------------------------|
| Fred A. Middleton (2) | \$36,000 | \$96,804 |
| Abhi Acharya (3) | \$27,500 | \$86,713 |
| Christopher Alafi, Ph.D. (4) | \$23,500 | \$41,488 |
| David W. Benfer (5) | \$27,500 | \$86,713 |
| Ralph G. Dacey, Jr., M.D. (6) | \$23,500 | \$41,488 |
| Bevil J. Hogg (7) | -- | -- |
| Gregory R. Johnson, Ph.D. (8) | \$27,000 | \$41,488 |

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|---------------------------|----------|----------|
| William M. Kelley (9) | \$27,500 | \$41,488 |
| Abhijeet J. Lele (10) | \$27,000 | \$41,488 |
| Robert J. Messey (11) | \$32,000 | \$88,233 |
| William C. Mills III (12) | \$38,500 | \$82,975 |