ESTEE LAUDER COMPANIES INC
Form 4
November 09, 2011

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person *
FRIBOURG PAUL J

(Last) (First) (Middle)

CONTIGROUP COMPANIES, INC., 277 PARK AVENUE

(Street)

NEW YORK, NY 10172

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ESTEE LAUDER COMPANIES INC [EL]

3. Date of Earliest Transaction (Month/Day/Year)
11/07/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Class A Common Stock	11/07/2011		M		2,700	A	$ 40.39	4,700	D	
Class A Common Stock	11/07/2011		S		200	D	$ 117.15	4,500	D	
Class A Common Stock	11/07/2011		S		800	D	$ 117.1501	3,700	D	
Class A	11/07/2011		S		100	D	$	3,600	D	

Common Stock						117.1514			
Class A Common Stock	11/07/2011		S	1,100	D	$ 117.16	2,500	D	
Class A Common Stock	11/07/2011		S	500	D	$ 117.17	2,000	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Option (Right to Buy)	$ 40.39	11/07/2011		M			2,700	10/31/2007 [(1)]	10/31/2016	Class A Common Stock	2,700

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
FRIBOURG PAUL J CONTIGROUP COMPANIES, INC. 277 PARK AVENUE NEW YORK, NY 10172	X			

Signatures

Paul J. Fribourg, by Spencer G. Smul, Attorney-in-fact — 11/09/2011

**Signature of Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Granted pursuant to the Issuer's Non-Employee Director Share Incentive Plan.

(2) Not Applicable

(3) The Reporting Person also has options to purchase 33,516 shares of Class A Common Stock, 22,460 of which are currently exercisable.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. id to the holder thereof or the holder s designee, without interest.

Any stockholder whose Old Stock Certificate has been lost, destroyed or stolen will be entitled to New Book-Entry Shares only after complying with the requirements that the Company and the transfer agent customarily apply in connection with lost, stolen or destroyed certificates.

No service charges, brokerage commissions or transfer taxes shall be payable by any holder of any Old Stock Certificate, except that if any New Book-Entry Shares are to be issued in a name other than that in which the Old Stock Certificates are registered, it will be a condition of such issuance that (1) the person requesting such issuance must pay to the Company any applicable transfer taxes or establish to the Company s satisfaction that these taxes have been paid or are not payable, (2) the transfer complies with all applicable federal and state securities laws, and (3) the surrendered certificate is properly endorsed and otherwise in proper form for transfer.

Stockholders who hold uncertificated book entry shares prior to the reverse stock split, either as record or beneficial owners, will have their holdings electronically adjusted by our transfer agent (and, for beneficial owners, by their brokers or banks that hold in street name for their benefit, as the case may be) to give effect to the reverse stock split. No additional action on the Company s part or on the part of any stockholder will be required in order to effect the reverse stock split for uncertificated book-entry shares existing prior to the reverse stock split.

Each share of common stock issued in connection with the reverse stock split will continue to be subject to any restricted transfer or other legends applicable to the shares prior to the reverse stock split.

Upon the reverse stock split becoming effective, the Company intends to treat shares of common stock held by stockholders in street name, that is, through a bank, broker or other nominee, in the same manner as stockholders whose shares of common stock are registered in their names. Banks, brokers or other nominees will be instructed to effect the reverse stock split for their beneficial holders holding common stock in street name. However, these banks, brokers or other nominees may have different procedures than registered stockholders for processing the reverse stock split. If a stockholder holds shares of common stock with a bank, broker or other nominee and has any questions in this regard, the stockholder is encouraged to contact the stockholder s bank, broker or other nominee.

Stockholders should not destroy any stock certificate(s) and should not submit any stock certificate(s) until requested to do so.

Risks and Potential Disadvantages Associated with the Reverse Stock Split

The primary purpose of the proposed reverse stock split of our common stock is to combine the issued and outstanding shares of common stock into a smaller number of shares so that the shares of common stock will trade at a higher price per share than recent trading prices in order to maintain the listing of our common stock on the Nasdaq Global Market. Although the Company expects that the reverse stock split will result in an increase in the market price of our common stock, the reverse stock split may not increase the market price of our common stock in proportion to the reduction in the number of issued shares of common stock or result in the permanent increase in the market price, which is dependent upon many factors, including the Company s performance, prospects and other factors detailed from time to time in the Company s reports filed with the Securities and Exchange Commission (SEC). If the reverse stock split is accomplished and the market price of our common stock declines, the percentage decline as an absolute number and as a percentage of the Company s overall market capitalization may be greater than would occur in the absence of a reverse stock split.

Under applicable Nasdaq rules, in order to regain compliance with the $1.00 minimum closing bid price requirement and maintain the listing of our common stock on The Nasdaq Global Market, the $1.00 bid price must be maintained for a

minimum of ten (10) consecutive business days. However, under Nasdaq rules, Nasdaq may, in its discretion, require us to maintain a closing bid price of at least $1.00 per share for a period in excess of ten (10) consecutive business days before determining that the Company has demonstrated an ability to maintain long-term compliance with the minimum closing bid price requirement. Accordingly, the Company cannot assure you that it will be able to maintain the Nasdaq listing for our common stock after the reverse stock split is effected or that the market price per share of common stock after the reverse stock split will exceed or remain in excess of the $1.00 minimum bid price for a sustained period of time. The Company also cannot assure you that our common stock will not be delisted due to a failure to meet other continued listing requirements even if after the reverse stock split the market price per share of common stock remains in excess of $1.00.

Even though the Board of Directors believes that the potential advantages of a reverse stock split outweigh any disadvantages that might result, the following are some of the possible disadvantages of a reverse stock split:

The reduced number of outstanding shares of common stock resulting from a reverse stock split could adversely affect the liquidity of our common stock. Although the Board of Directors believes that a higher stock price may help generate investor interest, there can be no assurance that the reverse stock split will result in a per share price that will attract institutional investors or investment funds or that such share price will satisfy the investing guidelines of institutional investors or investment funds. As a result, the trading liquidity of our common stock may not necessarily improve.

A reverse stock split could result in a significant devaluation of the Company s market capitalization and the trading price of our common stock, on an actual or an as-adjusted basis, based on the experience of other companies that have accomplished reverse stock splits.

A reverse stock split may leave certain stockholders with one or more odd lots, which are stock holdings in amounts of fewer than 100 shares of common stock. These odd lots may be more difficult to sell than shares of common stock in even multiples of 100. Additionally, any reduction in brokerage commissions resulting from the reverse stock split, as discussed above, may be offset, in whole or in part, by increased brokerage commissions required to be paid by stockholders selling odd lots created by the reverse stock split.

There can be no assurance that the market price per share of common stock after the reverse stock split will increase in proportion to the reduction in the number of shares of common stock outstanding before the reverse stock split.

The total market capitalization of our common stock after the proposed reverse stock split may be lower than the total market capitalization before the proposed reverse stock split and, in the future, the market price of our common stock following the reverse stock split may not exceed or remain higher than the market price prior to the proposed reverse stock split.

The increase in the ratio of authorized but unissued shares of common stock to issued shares of common stock resulting from the reverse stock split may be construed as having an anti-takeover effect by permitting the issuance of shares to purchasers who might oppose a hostile takeover bid or oppose any efforts to amend or repeal certain provisions of our certificate of incorporation or Bylaws.

Certain Material U.S. Federal Income Tax Consequences of the Reverse Stock Split

The following is a summary of certain material U.S. federal income tax consequences of the reverse stock split, and does not purport to be a complete discussion of all of the possible U.S. federal income tax consequences of the reverse stock split. The summary assumes that the pre-reverse stock split shares were, and the post-reverse stock split shares will be, held as capital assets as defined in the Internal Revenue Code of 1986, as amended, referred to as the Code, which generally means property held for investment. It does not address stockholders subject to special rules, such as non-U.S. stockholders, financial institutions, tax-exempt organizations, insurance companies, dealers in securities, traders in securities that elect the mark-to-market method of accounting, mutual funds, S corporations, partnerships or other pass-through entities, U.S. persons with a functional currency other than the U.S. dollar, stockholders who hold the pre-reverse stock split shares as part of a straddle, hedge, integration, constructive sale or conversion transaction, stockholders who hold the pre-reverse stock split shares as qualified small business stock within the meaning of Section 1202 of the Code, stockholders who are subject to the alternative minimum tax provisions of the Code, and stockholders who acquired their pre-reverse stock split shares pursuant to the exercise of employee stock options or otherwise as

compensation. This summary is based upon the provisions of the U.S. federal income tax law as of the date hereof, which is subject to change, possibly with retroactive effect. It does not address tax considerations under state, local, non-U.S, and non-income tax laws. Furthermore, the Company has not obtained a ruling from the Internal Revenue Service or an opinion of legal or tax counsel with respect to the consequences of the reverse stock split.

The reverse stock split is intended to constitute a reorganization within the meaning of Section 368(a) of the Code. Assuming the reverse stock split qualifies as a reorganization, a stockholder generally will not recognize gain or loss on the reverse stock split, except to the extent of cash, if any, received in lieu of a fractional share interest in the post-reverse stock

split shares. The aggregate tax basis of the post-reverse stock split shares received will be equal to the aggregate tax basis of the pre-reverse split shares exchanged therefor, excluding any portion of the holder s basis allocated to fractional shares, and the holding period of the post-reverse stock split shares received will include the holding period of the pre-reverse stock split shares exchanged.

A holder of the pre-reverse stock split shares who receives cash in lieu of a fractional share interest in the post-reverse stock split shares generally will be treated as if the fractional share were issued and then immediately redeemed for cash. Such holder will recognize gain or loss equal to the difference between the cash received and the portion of the tax basis of the pre-reverse stock split shares allocated to the fractional share interest. This gain or loss will be a capital gain or loss, and will be long term capital gain or loss if the pre-reverse stock split shares were held for more than one year, and short term capital gain or loss if the shares were held for one year or less, as of the effective date.

Information reporting and backup withholding at a current rate of 28% may apply to any cash payments to a non-corporate stockholder in lieu of a fractional share interest in the post-reverse stock split shares, unless a correct taxpayer identification number is furnished and such stockholder certifies that it is not subject to backup withholding on the substitute form W-9 or successor form included in the letter of transmittal or is otherwise exempt from backup withholding. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against such stockholder s U.S. federal income tax liability if the required information is furnished to the Internal Revenue Service.

TAX MATTERS ARE COMPLICATED, AND THE TAX CONSEQUENCES OF THE REVERSE STOCK SPLIT DEPEND UPON THE PARTICULAR CIRCUMSTANCES OF EACH STOCKHOLDER. ACCORDINGLY, EACH STOCKHOLDER IS ADVISED TO CONSULT THE STOCKHOLDER S TAX ADVISOR WITH RESPECT TO ALL OF THE POTENTIAL TAX CONSEQUENCES TO THE STOCKHOLDER OF A REVERSE STOCK SPLIT.

No Dissenters or Appraisal Rights

Under the Delaware General Corporation Law, stockholders are not entitled to appraisal rights with respect to the reverse stock split, and we do not intend to independently provide stockholders with any such right.

Vote Required

The affirmative vote of a majority of the shares of our common stock issued and outstanding on the Record Date is required to approve the amendment to our certificate of incorporation to accomplish the reverse stock split of our common stock. Abstentions and broker non-votes will not be counted as having been voted on the proposals, and therefore will have the same effect as negative votes. As described above under Background and Overview Voting Agreements; Effect of the Vote, in connection with the private placement financings described above, holders of approximately [ ]% of the outstanding shares of our common stock as of the Record Date have agreed to vote in favor of Proposal No. 2, and accordingly, we expect such measure to pass.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 2.

PROPOSAL NO. 3

APPROVAL OF THE ISSUANCE OF SHARES OF OUR COMMON STOCK UPON CONVERSION OR EXERCISE OF CONVERTIBLE DEBENTURES AND WARRANTS CONVERTIBLE AND EXERCISABLE INTO MORE THAN 20% OF OUR COMMON STOCK OUTSTANDING, ISSUED AT A DISCOUNT TO THE GREATER OF BOOK OR MARKET VALUE OF OUR COMMON STOCK

The implementation of Proposal No. 3 is conditioned on approval of Proposal No. 1. Stockholders who wish to approve Proposal No. 3 should also vote to approve Proposal No. 1.

Our common stock is listed on the Nasdaq Global Market, and therefore we are subject to the Nasdaq Listing Rules. Under the Nasdaq Private Placement Rule, prior stockholder approval is required for the issuance, other than in a public offering, of shares of our common stock upon exercise or conversion of securities convertible or exercisable into common stock at a price less than the greater of book or market value of the common stock if the securities are convertible into 20% or more of a company s common stock. Although the initial conversion price of $0.3361 was equal to or greater than the greater of the book or market value of our common stock for Nasdaq purposes at the time we entered into the transactions on May 7, 2012, because we issued Convertible Debt Warrants together with Convertible Debentures without additional consideration for such Convertible Debt Warrants, we believe the Nasdaq Private Placement Rule requires that we obtain stockholder approval of the common stock issuable in connection with the Convertible Debt SPA. In addition, the Convertible Debentures and Convertible Debt Warrants contain certain anti-dilution adjustments and other adjustments to the conversion or exercise price in the event of reverse stock splits or combinations that might occur (other than any reverse split or other combination implemented to avoid delisting on our principal market) that could result in the conversion price being reduced in the future to an amount that is less than the greater of the book or market value of our common stock immediately before the date we entered into the Convertible Debt SPA, which provisions would also require approval under the Nasdaq Private Placement Rule.

As indicated above, we entered into the convertible debt transaction to raise capital for our ongoing business needs; if we are required to repay those obligations in cash, rather than settling them in our common stock, we would not have the capital necessary to fully implement our business plan. We issued the Convertible Debentures and the Convertible Debt Warrants concurrently with the PIPE SPA and agreed, as a condition to closing, with the investors in those private placements to seek stockholder approval of being able to convert all of the Convertible Debentures and honor the exercise of all Convertible Debt Warrants, even in excess of 20% of our pre-transaction capitalization, for purposes of the Nasdaq Private Placement Rule. The Board believes it is in the best interests of the Company to have the flexibility to settle these obligations with our common stock rather than repaying or settling them in cash. In addition, if our Silicon Valley Bank indebtedness is still outstanding at the time of any such settlement, we may be unable to repay these obligations in cash because of certain subordination provisions, which would put us in breach of our obligations under the Convertible Debentures and Convertible Warrants and other indebtedness.

Accordingly, we seek your approval of Proposal No. 3 in order to satisfy the requirements of the Nasdaq Private Placement Rule.

The approval of the issuance of shares of our common stock upon exercise or conversion of securities convertible into more than 20% of our common stock currently outstanding at a price that may be less than the greater of book or market value of our common stock requires the affirmative vote of a majority of the total votes cast on the proposal at the special meeting, either in person or by proxy. Abstentions and broker non-votes will have no effect with respect to the issuance of shares of our common stock upon exercise or conversion of securities convertible into more than 20% of our common stock currently outstanding at a price less than the greater of book or market value of our common stock. As described above under Background and Overview Voting Agreements; Effect of the Vote, in connection with the private placement financings described above, holders of approximately [ ]% of the outstanding shares of our common stock as of the Record Date have agreed to vote in favor of Proposal No. 3, and accordingly, we expect such measure to pass.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL 3.

PROPOSAL NO. 4

APPROVAL OF THE ISSUANCE OF WARRANTS EXERCISABLE INTO MORE THAN 20% OF OUR COMMON STOCK OUTSTANDING, WHICH WOULD RESULT IN A CHANGE OF CONTROL OF THE COMPANY UNDER APPLICABLE NASDAQ LISTING RULES

As noted above, our common stock is listed on the Nasdaq Global Market, and therefore we are subject to the Nasdaq Listing Rules. Under the Nasdaq Change of Control Rule, prior stockholder approval is required for issuances of securities that will result in a change of control of the issuer. Nasdaq may deem a change of control to occur when, as a result of an issuance, an investor or a group would own, or have the right to acquire, 20% or more of the outstanding shares of common stock or voting power and such ownership or voting power would be the largest ownership position of the issuer. In order for the warrants held by Alafi Capital Company and affiliates of Sanderling Venture Partners to fully exercisable for shares of our common stock, stockholder approval is required because, for purposes of the Nasdaq Change of Control Rule, the resulting ownership of our common stock for Alafi Capital Company and affiliates of Sanderling Venture Partners, on an as-converted basis, will represent approximately [ ]% and [ ]%, respectively, of all outstanding shares of common stock as of the Record Date.

The Board of Directors believes it is in the best interest of the Company to allow these investors to fully exercise all of their warrants to purchase shares of our common stock, inasmuch as the exercise of such warrants for cash will result in proceeds to the Company.

The approval of the change of control under Nasdaq Listing Rules resulting from the PIPE transaction and the Silicon Valley Bank extension and the transactions contemplated thereby, including the issuance of our common stock upon exercise of the full amount of shares underlying the warrants issued in connection therewith, requires the affirmative vote of a majority of the total votes cast on the proposal at the special meeting, either in person or by proxy. Abstentions and broker non-votes will have no effect with respect to the approval of the change of control under Nasdaq Listing Rules resulting from the PIPE transaction and the Silicon Valley Bank extension.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL 4.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The close of business on [ ], 2012 has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the Special Meeting. On [ ], 2012, there were [ ] shares of our common stock outstanding and entitled to vote. The following table sets forth certain information known to us with respect to the beneficial ownership of our common stock as of May 11, 2012 by:

each person known by us to own beneficially more than 5% of our outstanding common stock;

each of our directors or nominees;

each of our executive officers; and

all of our directors, nominees and executive officers as a group.

There were 78,044,356 shares of common stock outstanding as of May 11, 2012. Unless otherwise indicated, the table below includes the number of shares underlying options and warrants that are currently exercisable or exercisable within 60 days of May 11, 2012. Shares of common stock subject to options and warrants that are currently exercisable or exercisable within 60 days of May 11, 2012 are considered outstanding and beneficially owned by the person holding the options or warrants for the purposes of computing beneficial ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. To our knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws where applicable, each person named in the table has sole voting and investment power with respect to the shares set forth opposite such person s name. Except as otherwise indicated, the address of each of the persons in this table is as follows: c/o Stereotaxis, Inc., 4320 Forest Park Avenue, Suite 100, St. Louis, Missouri 63108.

Name and address of Beneficial Owner of Common Stock	Number of shares of Common Stock beneficially owned	Percentage of shares of Common Stock beneficially owned
Five percent shareholders		
Alafi Capital Company LLC [(1)] 9 Commodore Drive, Suite 405 Emeryville, CA 94608	27,044,805	29.26%
Entities affiliated with Sanderling Ventures [(2)] 400 S. El Camino Real, Suite 1200 San Mateo, CA 94402	24,022,653	26.39%
Franklin Resources, Inc. [(3)] One Franklin Parkway San Mateo, CA 94403	16,379,462	19.37%
Prescott Group Capital Management, L.L.C. [(4)] 1924 South Utica, Suite 1120 Tulsa, OK 74104	10,759,026	12.81%
Directors and Named Executive Officers		
Fred A. Middleton [(5)]	24,567,908	26.92%
Christopher Alafi [(6)]	27,523,556	29.75%
David W. Benfer [(7)]	133,200	*
Joseph D. Keegan [(8)]	43,200	*
William M. Kelley [(9)]	178,127	*
Robert J. Messey [(10)]	158,300	*

William C. Mills III [11]	169,800	*
Eric N. Prystowsky [12]	90,700	*
Michael P. Kaminski [13]	887,216	1.13%
Samuel W. Duggan II	150,000	*
Daniel J. Johnston [14]	132,723	*
Douglas M. Bruce [15]	250,246	*
Frank J. Cheng [16]	203,175	*
Karen W. Duros [17]	132,950	*
All directors and executive officers as a group (14 persons)	54,621,110	50.86%

* Indicates ownership of less than 1%

(1) Includes 12,666,281 shares held by and 14,378,524 shares issuable under warrants held by Alafi Capital Company LLC (Alafi Capital). Christopher Alafi, one of our directors, and Moshe Alafi are the managing partners of Alafi Capital and have full voting and investment power with respect to the shares owned by Alafi Capital. All information regarding ownership of Alafi Capital and its affiliates is based solely on a Schedule 13D filed by Alafi Capital on March 18, 2009, and Form 4s filed by Dr. Alafi on August 19, 2010, November 12, 2010, September 9, 2011, September 12, 2011, April 3, 2012, May 3, 2012, and May 14, 2012.

(2) Includes: (a) 797 shares held by the Middleton McNeil Retirement Trust; (b) 828 shares held by Sanderling Ventures Management V; (c) 30,609 shares held by and 106,857 shares issuable under warrants held by Sanderling VI Beteiligungs GmbH & Co. KG; (d) 36,470 shares held by and 127,320 shares issuable under warrants held by Sanderling VI Limited Partnership; (e) 281,178 shares held by and 993,988 shares issuable under warrants held by Sanderling Ventures Management VI; (f) 532,758 shares held by Sanderling IV Biomedical Co-Investment Fund, L.P.; (g) 224,515 shares held by Sanderling Venture Partners IV Co-Investment Fund, L.P.; (h) 677,906 shares held by Sanderling Venture Partners V Co-Investment Fund, L.P.; (i) 110,971 shares held by Sanderling V Beteiligungs GmbH & Co. KG; (j) 119,566 shares held by Sanderling V Limited Partnership; (k) 397,164 shares held by Sanderling V Biomedical Co-Investment Fund, L.P.; (l) 781,351 shares held by Sanderling Venture Partners II, L.P.; (m) 15,000 shares held by Sanderling Management 401(k) Plan; and (n) 7,822,726 shares held by and 11,762,649 shares issuable under warrants held by Sanderling Venture Partners VI Co-Investment Fund, L.P.

The Middleton McNeil Retirement Trust has voting and dispositive authority over the shares owned by such trust. The trust s trustees are Fred A. Middleton and Robert G. McNeil, who manage the trust for the benefit of Fred A. Middleton and Robert G. McNeil. Such individuals disclaim beneficial ownership of all such shares held by the foregoing trust, except to the extent of their proportionate pecuniary interests therein.

Middleton-McNeil Associates, L.P. is the general partner of Sanderling Venture Partners II, L.P. and has voting and dispositive authority over the shares owned by Sanderling Venture Partners II, L.P. Middleton-McNeil Associates, L.P. is managed by its general partners, Fred A. Middleton and Robert G. McNeil. Such individuals disclaim beneficial ownership of all such shares held by the foregoing funds, except to the extent of their proportionate pecuniary interests therein.

Middleton-McNeil Associates IV, LLC is the general partner of Sanderling IV Biomedical Co-Investment Fund, L.P. and has voting and dispositive authority over the shares owned by Sanderling IV Biomedical Co-Investment Fund, L.P. Middleton-McNeil Associates IV, LLC is managed by its members, Fred A. Middleton and Robert G. McNeil. Such individuals disclaim beneficial ownership of all such shares held by the foregoing funds, except to the extent of their proportionate pecuniary interests therein.

Middleton-McNeil Associates IV, L.P. is the general partner of Sanderling Venture Partners IV Co-Investment Fund, L.P. and has voting and dispositive power over the shares owned by Sanderling Venture Partners IV Co-Investment Fund, L.P. Middleton-McNeil Associates IV, L.P. is managed by its general partners, Fred A. Middleton and Robert G. McNeil. Such individuals disclaim beneficial ownership of all such shares held by the foregoing funds, except to the extent of their proportionate pecuniary interests therein.

Middleton, McNeil & Mills Associates V, LLC is the Investment General Partner of Sanderling V Limited Partnership and Sanderling V Beteiligungs GmbH & Co. KG and the General Partner of Sanderling V Biomedical Co-Investment Fund, L.P. and Sanderling Venture Partners V Co-Investment Fund, L.P. and has voting and dispositive authority over the shares owned by such entities. Middleton, McNeil & Mills Associates V, LLC is managed by its managing directors, Fred A. Middleton and Robert G. McNeil, Timothy C. Mills and Timothy J. Wollaeger. Such individuals disclaim beneficial ownership of all such shares held by the foregoing funds, except to the extent of their proportionate pecuniary interests therein.

Sanderling Ventures Management V is managed by Fred A. Middleton and Robert G. McNeil, Timothy C. Mills and Timothy J. Wollaeger, the individuals who have invested under the d/b/a Sanderling Ventures Management V, which individuals have voting and dispositive power over the shares owned by Sanderling Ventures Management V. Such individuals disclaim beneficial ownership of all such shares held by the foregoing funds, except to the extent of their proportionate pecuniary interests therein. Sanderling Ventures Management VI is managed by Fred A. Middleton, Robert G. McNeil, Timothy C. Mills and Timothy J. Wollaeger, the individuals who have invested under the d/b/a Sanderling Ventures Management VI, which individuals have voting and dispositive power over the shares owned by Sanderling Ventures Management VI. Such individuals disclaim beneficial ownership of all such shares held by the foregoing funds, except to the extent of their proportionate pecuniary interests therein.

Middleton, McNeil, Mills & Associates, VI, LLC is the Investment General Partner of Sanderling Venture Partners VI Co-Investment Fund, L.P., Sanderling VI Beteiligungs GmbH & Co. KG and Sanderling VI Limited Partnership and has voting and dispositive power over the shares owned by such entity. Sanderling Venture Partners VI Co-Investment Fund, L.P. is managed by its managing directors, Fred A. Middleton, Robert G. McNeil, Timothy C. Mills and Timothy J. Wollaeger. Such individuals disclaim beneficial ownership of all such shares held by the foregoing funds, except to the extent of their proportionate pecuniary interests therein.

All information regarding ownership of Sanderling Ventures and its affiliates is based solely on a Schedule 13D filed by Sanderling Ventures on March 18, 2009, and Form 4s filed by Mr. Middleton on August 19, 2010, November 12, 2010, April 3, 2012, May 3, 2012, and May 14, 2012.

(3) All information regarding ownership of Franklin Resources, Inc. is based on Franklin Resources, Inc. s participation in a PIPE

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transaction with Stereotaxis, Inc. on May 7, 2012 and on a Schedule 13G filed on February 10, 2012 by Franklin Resources, Inc., Charles B. Johnson, Rupert H. Johnson, Jr., and Franklin Advisers, Inc. The shares are owned by one or more open- or closed-end investment companies or other managed accounts that are investment management clients of investment managers that are direct and indirect subsidiaries of Franklin Resources, Inc., including Franklin Advisers, Inc. Charles B. Johnson and Rupert H. Johnson, Jr. each own in excess of 10% of the outstanding common stock of Franklin Resources, Inc. and are the principal shareholders of Franklin Resources, Inc. Franklin Advisers, Inc. has sole voting and sole dispositive power over 9,873,281 shares and the 6,506,181 shares issuable under warrants.

(4) All Information regarding ownership of Prescott Group Capital Management, L.L.C. (Prescott Capital) is based on Prescott Capital s participation in a convertible debenture transaction with Stereotaxis, Inc. on May 7, 2012 and a Schedule 13G filed on February 7, 2012 by Prescott Capital, Prescott Group Aggressive Small Cap, L.P. (Prescott Small Cap), Prescott Group Aggressive Small Cap II, L.P. (Prescott Small Cap II and together with Prescott Group Small Cap, the Small Cap Funds), and Mr. Phil Frohlich. The shares are owned by the Small Cap Funds through the account of Prescott Group Aggressive Small Cap Master Fund, G.P. (Prescott Master Fund), of which the Small Cap Funds are general partners. Prescott Capital serves as the general partner of the Small Cap Funds, and may direct the Small Cap Funds, the general partners of Prescott Master Fund, to direct the vote and disposition of the 4,808,416 shares and the 5,950,610 shares issuable under warrants held by the Master Fund. As the principal of Prescott Capital, Mr. Frohlich may direct the vote and the disposition of the 4,808,416 shares and the 5,950,610 shares issuable under warrants held by Prescott Master Fund.

(5) Includes 11,351,594 shares held by and 12,990,814 shares issuable under warrants held by Sanderling as described above. Mr. Middleton disclaims beneficial ownership of the shares and warrants held by Sanderling and Middleton-McNeil L.P. except to the extent of his proportionate ownership interest therein. Also includes options to purchase 225,500 shares of common stock.

(6) Includes 13,052,792 shares held by and 14,378,524 shares issuable under warrants held by Alafi Capital as described above. Dr. Alafi is a general partner of Alafi Capital and disclaims beneficial ownership of the shares and warrants held by Alafi Capital except to the extent of his proportionate partnership interest therein. Includes 2,225 shares held by the Alafi Family Foundation, 126,000 shares held by the Christopher Alafi Trust, and 30,000 shares held by Dr. Alafi s mother. Also includes options to purchase 92,250 shares of common stock held by Dr. Alafi.

(7) Includes options to purchase 111,500 shares of common stock.

(8) Includes options to purchase 40,500 shares of common stock.

(9) Includes options to purchase 135,527 shares of common stock.

(10) Includes options to purchase 139,250 shares of common stock.

(11) Includes options to purchase 140,750 shares of common stock.

(12) Includes options to purchase 78,000 shares of common stock.

(13) Includes options to purchase 582,949 shares of common stock.

(14) Includes options to purchase 125,936 shares of common stock.

(15) Includes options to purchase 138,598 shares. Also includes 100 shares owned by Mr. Bruce s minor daughter.

(16) Includes options to purchase 100,875 shares of common stock.

(17) Includes options to purchase 64,750 shares of common stock.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement and the information incorporated by reference in it contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (Securities Act) and Section 21E of the Securities Exchange Act of 1934 (Securities Exchange Act) that are based upon our current expectations and projections about future events. We intend for these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we are including this statement for purposes of these safe harbor provisions. You can identify these statements from our use of the words may, will, should, could, would, plan, potential, estimate, project, believe, intend, anticipate, expect and similar expressions. These fo statements include statements relating to:

- our business strategy;
- our value proposition;
- our ability to fund operations;
- our ability to convert backlog to revenue;
- the timing and prospects for regulatory approval of our additional disposable interventional devices;
- the success of our business partnerships and strategic alliances;
- our estimates regarding our capital requirements;
- the ability of physicians to perform certain medical procedures with our products safely, effectively and efficiently;
- the adoption of our products by hospitals and physicians;
- the market opportunity for our products, including expected demand for our products;
- our plans for hiring additional personnel; and
- any of our other plans, objectives, expectations and intentions contained or incorporated into this prospectus that are not historical facts.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, changes in general economic and business conditions, actions of competitors, regulatory actions, changes in legislation, technology changes and the risks and other factors.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. In addition, our past results of operations do not necessarily indicate our future results. You should not place undue reliance on any forward-looking statements, which speak only as of the date they were made. We will not update these forward-looking statements, even though our situation may change in the future, unless we are obligated to do so under federal securities laws. We qualify all of our forward-looking

statements by these cautionary statements.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC s website at http://www.sec.gov. The SEC s website contains reports, proxy and information statements and other information regarding issuers, such as us, that file electronically with the SEC. You may also read and copy any document we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates by writing to the SEC. Please call the SEC at 1 800 SEC 0330 for further information on the operation of its Public Reference Room. Our common stock is listed on the Nasdaq Global Market under the symbol STXS.

The SEC allows incorporation by reference into this proxy statement of information that we file with the SEC. This permits us to disclose important information to you by referencing these filed documents. Any information referenced this way is considered to be a part of this proxy statement and any information filed by us with the SEC subsequent to the date of this proxy statement will automatically be deemed to update and supersede this information. We incorporate by reference the following documents which we have filed with the SEC:

our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as amended by our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2011, which updated certain information in our originally filed Annual Report on Form 10-K;

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our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2012;

our Current Reports on Form 8-K filed January 23, 2012, March 5, 2012 (regarding Item 1.01), April 2, 2012, May 2, 2012 and May 8, 2012 (regarding Items 1.01, 2.03, and 3.02), and Form 8-K/A filed March 15, 2012.; and

the description of our common stock set forth in our Registration Statement on Form 8-A filed with the SEC on August 2, 2004.

We incorporate by reference any filings made with the SEC in accordance with Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 on or after the date of this proxy statement.

We will promptly provide a copy of the documents we incorporate by reference (other than exhibits attached to those documents, unless such exhibits are specifically incorporated by reference into the information incorporated herein), at no cost, to any person who receives this proxy statement. You may request a copy of any or all of these documents, either orally or in writing, by contacting us at the following address and phone number: Stereotaxis, Inc., Investor Relations, 4320 Forest Park Avenue, Suite 100, St. Louis, Missouri 63108, (314) 678-6100.

Appendix A

Form of Certificate of Amendment of Certificate of Incorporation

1. Article IV of the Certificate of Incorporation is hereby amended and restated by deleting Section 1 thereof in its entirety and replacing it with the following:

1. **Authorized Stock.** The total number of shares which the Corporation is authorized to issue is 310,000,000 shares as follows: 300,000,000 shares of common stock, each having a par value of one-tenth of one cent ($0.001) (the Common Stock) and 10,000,000 shares of preferred stock, each having a par value of one-tenth of one cent ($0.001) (the Preferred Stock).

Appendix B

Form of Certificate of Amendment of Certificate of Incorporation

1. Article IV of the Certificate of Incorporation is hereby amended and restated by deleting Section 1 thereof in its entirety and replacing it with the following:

1. **Authorized Stock.** The total number of shares which the Corporation is authorized to issue is 310,000,000 shares as follows: 300,000,000 shares of common stock, each having a par value of one-tenth of one cent ($0.001) (the Common Stock) and 10,000,000 shares of preferred stock, each having a par value of one-tenth of one cent ($0.001) (the Preferred Stock).

Upon this Certificate of Amendment becoming effective pursuant to the Delaware General Corporation Law (Effective Time), the shares of Common Stock issued and outstanding immediately prior to the Effective Time and the shares of Common Stock issued and held in the treasury of the Corporation immediately prior to the Effective Time shall be reclassified as, and shall be combined and changed into, a smaller number of shares such that each four to ten shares of issued Common Stock immediately prior to the Effective Time shall be reclassified into and become one share of Common Stock, the exact reverse split ratio within such four-to-ten range to be determined by the Board of Directors of the Corporation and publicly announced by the Corporation prior to the Effective Time. Notwithstanding the foregoing, no fractional shares shall be issued and, in lieu thereof, and upon surrender after the Effective Time of a certificate which formerly represented shares of Common Stock that were issued and outstanding immediately prior to the Effective Time, any person who would otherwise be entitled to a fractional share of Common Stock as a result of the reclassification, following the Effective Time, shall be entitled to receive cash for such holder s fractional share based upon the average of the closing prices of the Common Stock on The Nasdaq Global Market for the five trading days immediately preceding the date the reverse stock is effective. From and after the Effective Time, certificates representing Common Stock outstanding immediately prior to the Effective Time shall represent the number of whole shares of Common Stock into which the Common Stock shall have been reclassified pursuant to the foregoing provisions, provided, however, that any dividends or other distributions that may be declared after the Effective Time with respect to the number of post-reverse split shares of Common Stock represented by that certificate will be withheld by the Corporation until that certificate has been properly presented for exchange, at which time all such withheld dividends that have not yet been paid to a public official pursuant to relevant abandoned property or escheat laws will be paid to the holder thereof or the holder s designee, without interest.

STEREOTAXIS, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned, revoking all prior proxies, hereby nominates, constitutes and appoints Michael P. Kaminski, Samuel W. Duggan II and Karen Witte Duros (or such other person as is designated by the board of directors of Stereotaxis, Inc. (Stereotaxis)) (the Proxies), or either of them (with full power to act alone), true and lawful attorney(s), with full power of substitution, for the undersigned and in the name, place and stead of the undersigned to vote as designated below all of the shares of common stock, $0.001 par value, of Stereotaxis entitled to be voted by the undersigned at the Special Meeting of Stockholders to be held on [ ], 2012 and at any adjournments or postponements thereof. Should a nominee be unable to serve, this proxy may be voted for a substitute selected by the Board of Directors.

Please complete, sign and date other side and return promptly. Please mark x your vote as indicated in this example.

MANAGEMENT RECOMMENDS A VOTE FOR THE FOLLOWING:

1. Proposal to amend Stereotaxis Certificate of Incorporation to increase the number of shares of the Company s common stock, par value $0.001 per share, that Stereotaxis is authorized to issue to 300,000,000 shares.

FOR	AGAINST	ABSTAIN
¨	¨	¨

2. Proposal to amend Stereotaxis Certificate of Incorporation approve effecting a reverse stock split of the Company s common stock, $0.001 par value per share;

FOR	AGAINST	ABSTAIN
¨	¨	¨

3. Proposal to approve the issuance of convertible debentures and warrants convertible and exercisable into more than 20% of our common stock outstanding, which, in the future, may convert at or be exercisable for a price that is less than the greater of book or market value of our common stock;

FOR	AGAINST	ABSTAIN
¨	¨	¨

4. Proposal to approve the exercise of warrants exercisable into more than 20% of our common stock outstanding, which would result in a change of control of the Company under applicable Nasdaq listing rules.

FOR	AGAINST	ABSTAIN
¨	¨	¨

5. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the special meeting and any adjournment thereof.

The undersigned hereby acknowledges receipt of the Notice of the Special Meeting of Stockholders and the accompanying Proxy Statement.

This proxy will be voted as specified. If no specification is made, this proxy will be voted FOR Proposal Nos. 1, 2, 3 and 4. A vote to ABSTAIN will be voted AGAINST Proposal Nos. 1, 2, 3 and 4.

The Proxy Statement is available at: www.Stereotaxis.com.

Please contact the corporate secretary at 1-314-678-6100 or email us at karen.duros@Stereotaxis.com if you have any questions about accessing these materials.

Please mark, sign, date and return the proxy card promptly using the enclosed envelope.

¨ **PLEASE CHECK THIS BOX IF YOU PLAN TO ATTEND THE MEETING IN PERSON.**

SIGN HERE

(Please sign exactly as name appears at left)

SIGN HERE

Executors, administrators, trustees, etc. should indicate when signing

DATED

Please sign this proxy card exactly as your shares are registered. When signing as attorney, executor, administrator, trustee or guardian, please give your full title. If more than one person holds the power to vote the same, any one of them may sign this proxy card. If the stockholder is a corporation, this proxy card must be signed by a duly authorized officer of the stockholder. By signing this proxy card, you acknowledge receipt of the Notice of Special Meeting of Stockholders and Proxy Statement, with all enclosures and attachments, dated May __, 2012. If address at left is incorrect, please write in the correct information.