SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) of the SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 3, 2010

ATRICURE, INC.

(Exact name of registrant as specified in charter)

Delaware	000-51470	34-1940305
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

6217 Centre Park Drive West Chester, OH	45069
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (513) 755-4100

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On August 3, 2010, AtriCure, Inc. (the "Company") and Silicon Valley Bank (the "Bank") entered into a Commitment Letter (the "Commitment Letter") setting forth certain proposed amendments to the Company's current credit facility with the Bank to provide for an increase in the total amount of the facility from $10,000,000 to $13,972,222. Additional availability will be provided under the facility by eliminating the existing term loan reserve and by including availability based on domestic inventory and international accounts receivable and inventory. Export-Import Bank of the United States will provide support for the loans based on the international accounts receivable and international inventory. Finally, the covenant to maintain a minimum Adjusted Quick Ratio will be reduced to 1.10:1.00 from 1.20:1.00.

The documentation governing the existing credit facility will be amended or amended and restated to reflect the terms set forth in the Commitment Letter and usual and customary documentation relating to the facility will be executed and delivered by the Company and the Bank. Except as described in the Commitment Letter, the terms and conditions of the existing credit facility remain in effect. The Commitment Letter is only subject to completion of documentation as described above and the absence of any default under the current facility documents.

The foregoing description of the Commitment Letter is qualified in its entirety by the full text of the Commitment Letter as attached to this Form 8-K as Exhibit 10.1.

Item 2.02. Results of Operations and Financial Condition.

On August 4, 2010, the Company issued a press release and is holding a conference call regarding its financial results for the second quarter ended June 30, 2010. A copy of the press release is furnished as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference.

The information in this Item 2.02 to Form 8-K and in the press release attached as Exhibit 99.1 is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section. The information in Item 2.02 of this Form 8-K and Exhibit 99.1 shall not be incorporated by reference in any filing or other document under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in any such filing or document.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

10.1 Commitment Letter with Silicon Valley Bank

99.1 Press Release dated August 4, 2010

SIGNATURES

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

ATRICURE, INC.

Date: August 4, 2010

By: /s/ Julie A. Piton
Julie A. Piton
Vice President, Finance and Administration and Chief Financial Officer

Exhibit 10.1

SVB Silicon Valley Bank

A Member of SVB Financial Group

August 3, 2010

Julie Piton
Chief Financial Officer
AtriCure, Inc.
6217 Centre Park Drive
West Chester, Ohio 45069
RE: AtriCure, Inc.

CONFIDENTIAL

Dear Julie:

Silicon Valley Bank is pleased to confirm its credit approval of the following credit facility for AtriCure, Inc., Inc. as of August 3, 2010. This commitment letter defines the changes to the existing credit facility between the Borrower and the Lender which will increase the total amount of the facility from $10,000,000 to a maximum of up to $13,972,222. Subject to the conditions set forth below, Silicon Valley Bank is pleased to advise you of its commitment to provide the credit facility described below on the terms set forth herein.

	CURRENT	**PROPOSED**
Lender:	Silicon Valley Bank	No Change
Borrower:	AtriCure, Inc.,	No Change
Facility:	$10,000,000 Working Capital Line of Credit	No Change
Advance Rate:	Borrower's total borrowing capacity under this Facility will equate to the lesser of (i) the applicable Facility amount, or (ii) the sum of the following components: A) Domestic Facility 1) Up to an 80% advance rate against Eligible domestic accounts receivable	Borrower's total borrowing capacity under this Facility will equate to the lesser of (i) the applicable Facility amount, or (ii) the sum of the following components: A) Domestic Facility 1) No Change for accounts receivable borrowing base 2) Up to 40% against Eligible Domestic Inventory not to exceed $2,000,000, plus B) $2,500,000 Ex-Im Facility 3) Up to an 85% advance rate against Eligible international accounts receivable, plus 4) Up to 65% against Eligible international inventory not to exceed $1,000,000. Eligible foreign inventory advances will be capped at 60% of total Ex-Im advances. Eligible International Accounts Receivable as described on Exhibit A.
	Up to $1,000,000 Sublimit to support issuances of standby letters of credit and/or other risk-based cash management products and services. Amounts outstanding under Sublimit will reduce availability under the Borrowing Formula.	No Change

Term Loan Reserve:	Line of Credit availability shall be reduced by 50% of Term Loan outstandings until such time that Borrower demonstrates at least 4 consecutive quarters' achievement of a minimum Fixed Charge Coverage ratio of 1.50:1.00 (defined under the Financial Covenants section).	Deleted
Maximum Outstandings:	Total outstandings (including for Letters of Credit and Cash Management Services) are capped at $10,000,000 for both facilities.	Total outstandings (including for Letters of Credit and Cash Management Services) are capped at $13,972,222 for both facilities.
Facility Fee:	N/A	Not to exceed $20,000 for the Ex-Im bank fee
Covenant:	*Adjusted Quick Ratio* Borrower to maintain a minimum Adjusted Quick Ratio of **1.20:1.00**. Adjusted Quick Ratio is defined as (i) unrestricted cash on deposit with SVB plus eligible domestic accounts receivable divided by (ii) current liabilities less current portion of deferred revenues; provided, that up to $2,000,000 of liability associated with the settlement of a class action lawsuit relating to alleged securities violations shall be excluded from the calculation of Adjusted Quick Ratio to the extent of the corresponding receivable for insurance proceeds and (b) principal and interest on the DOJ Settlement shall be excluded from the calculation of Adjusted Quick Ratio.	*Adjusted Quick Ratio* Borrower to maintain a minimum Adjusted Quick Ratio of **1.10:1.00**. Adjusted Quick Ratio is defined as (i) unrestricted cash on deposit with SVB plus eligible domestic accounts receivable divided by (ii) current liabilities less current portion of deferred revenues; provided, that (a) up to $2,000,000 of liability associated with the settlement of a class action lawsuit relating to alleged securities violations shall be excluded from the calculation of Adjusted Quick Ratio to the extent of the corresponding receivable for insurance proceeds, (b) effective as of June 1, 2010, the $2,750,000 liability associated with the settlement of a class action lawsuit relating to alleged securities violations shall be excluded from the calculation of Adjusted Quick Ratio to the extent of the corresponding receivable for insurance proceeds and (c) principal and interest on the DOJ Settlement shall be excluded from the calculation of Adjusted Quick Ratio.
	Fixed Charge Coverage (Applicable only when Borrower meets the requirements to release the Term Loan Reserve). Borrower to maintain a minimum Fixed Charge Coverage ratio of **1.50:1.00**. Fixed Charge Coverage is defined as (i) EBITDA less cash income taxes paid less unfunded capital expenditures for the immediately trailing 12-month period divided by (ii) current portion of long-term debt plus cash interest expense for the immediately trailing 12-month period.	*Fixed Charge Coverage* (To replace the Adjusted Quick Ratio when the Fixed Charge Coverage test has been met for 4 consecutive quarters). Borrower to maintain a minimum Fixed Charge Coverage ratio of **1.50:1.00**. Fixed Charge Coverage is defined as (i) EBITDA less cash income taxes paid less unfunded capital expenditures for the immediately trailing 12-month period divided by (ii) current portion of long-term debt plus cash interest expense for the immediately trailing 12-month period.
Financial Reporting:	Borrower to provide financial statements and reports detailed in existing Loan and Security Agreement.	No Change except for the addition of the following • Copy of actual invoices representing no less

		than 10% of the quarter-end AR aging balance and 10% of the past quarter's export orders (to comply with Ex-Im reporting Requirements) within 45 days after each quarter end.
Documentation:	N/A	The documentation governing the existing credit facility will be amended or amended and restated to reflect the terms set forth herein and usual and customary documentation relating to the Ex-Im facility described above will be executed and delivered by the Borrower and Lender. Except as described above, the terms and conditions of the existing credit facility remain in effect.
Conditions of Closing:	N/A	This Commitment Letter is subject to the following: • Completion of loan documentation as described above. • No material adverse change shall have occurred prior to completion of revised documentation. • No default under the existing loan documents

If the terms and conditions contained in this Commitment Letter are acceptable, please so indicate by returning an executed copy of this letter to Silicon Valley Bank, 380 Interlocken Crescent, Suite 600, Broomfield, CO 80021, Attention: Adam Glick.

This commitment letter constitutes notice that SVB shall commence with the loan documentation described above, which shall supersede this letter.

On behalf of Silicon Valley Bank, we appreciate the opportunity to propose this financing for AtriCure and look forward to a favorable response from you.

Very truly yours,

/s/ Kristen Parsons	/s/ Adam Glick
Kristen Parsons	Adam Glick
Relationship Manager	Relationship Manager
Silicon Valley Bank	Silicon Valley Bank

Acceptance:

By signing this document, we agree that Borrower shall be bound by the terms and conditions contained herein.

ATRICURE, INC.

By:	/s/ Julie A. Piton
Name:	Julie A. Piton
Title:	Chief Financial Officer

Exhibit A

I. Export Accounts Receivable

Subject to exceptions approved in writing by Ex-Im bank, receivables held as collateral must be payable to the Borrower in the U.S. and must be denominated in U.S. dollars. Receivables **not** eligible for inclusion in the Export-Related Borrowing Base are listed below. In no event shall Export-Related Accounts Receivable or Export-Related Overseas Accounts Receivable include any Account Receivable:

a. that does not arise from the sale of Items in the ordinary course of the Borrower's business;

b that is not subject to a valid, perfected, and enforceable first priority security interest in favor of the Lender;

c. as to which any covenant, representation or warranty contained in the Loan Documents relating to such Receivable has been breached;

d. that is not owned by the Borrower or is subject to any right, claim, or interest of another party other than the Lien in favor of the Lender;

e. with respect to which an invoice has not been sent;

f. generated by the sale or provision of defense articles or services, subject to exceptions approved in writing by Ex-Im Bank;

g. that is due and payable from a military Buyer, subject to exceptions approved in writing by Ex-Im Bank;

h. that is due and payable from a foreign Buyer located in a country with which Ex-Im Bank is legally prohibited from doing business as set forth in the current Country Limitation Schedule. (Note: If the Borrower has knowledge that an export to a country in which Ex-Im Bank may do business, as set forth in the current Country Limitation Schedule, will be re-exported to a country with which Ex-Im Bank is legally prohibited from doing business, the corresponding receivables (or a pro-rata portion thereof) are not eligible for inclusion in the Export-Related Borrowing Base.);

i. that does not comply with the requirements of the Country Limitation Schedule;

j. that by its original terms is due and payable more than one-hundred-eighty (180) days from the date of invoice;

k. that is not paid within sixty (60) calendar days from its original due date unless insured through Ex-Im Bank (or other acceptable) export credit insurance for comprehensive commercial and political risk, in which case ninety (90) calendar days shall apply;

l. that arises from a sale of goods to or performance of services for an employee, stockholder, or subsidiary of the Borrower, intra-company receivables or any receivable from a stockholder, any person or entity with a controlling interest in the Borrower or which shares common controlling ownership with the Borrower;

m. that is backed by a letter of credit unless the Items covered by the subject letter of credit have been shipped, or where the covered services have been provided;

n. that the Lender or Ex-Im Bank, in its reasonable judgment, deem uncollectible or unacceptable; this category includes, but is not limited to, finance charges or late charges imposed on the foreign buyer by the Borrower as a result of the foreign buyer's past due status;

o. that is denominated in non-U.S. currency, unless pre-approved in writing by Ex-Im Bank;

p. that does not comply with the terms of sale as set forth by Ex-Im Bank;

q. that is due and payable from a Buyer who becomes unable to pay its debts or whose ability to pay its debts becomes questionable;

r. that arises from a bill-and-hold, guaranteed sale, sale-and-return, sale on approval, consignment, or any other repurchase or return basis or is evidenced by chattel paper;

s. for which the Items giving rise to such Accounts Receivable have not been shipped to the Buyer or when the Items are services, such services have not been performed or when the Export Order specifies a timing for invoicing the Items other than shipment or performance and the Items have not been invoiced in accordance with such terms of the Export Order, or the Accounts Receivable do not otherwise represent a final sale;

t. that is subject to any offset, deduction, defense, dispute, or counterclaim, or the Buyer is also a creditor or supplier of the Borrower, or the Account Receivable is contingent in any respect or for any reason;

u. for which the Borrower has made any agreement with the Buyer for any deduction therefrom, except for discounts or allowances made in the ordinary course of business for prompt payment;

v. for which any of the Items giving rise to such Account Receivable have been returned, rejected, or repossessed;

w. that arises from the sale of Items that do not meet 50% U.S. Content requirements;

x. that is deemed to be ineligible by Ex-Im Bank.

* * *

II. Export Inventory

Export-Related Inventory taken as collateral must be located within the United States and valued at the lower of actual cost or market value as determined in accordance with U.S. “GAAP” or the appraised, or orderly liquidation value if the Lender has other loans to a Borrower with the same valuation or unless pre-approved by Ex-Im Bank. Exported-Related Inventory may include raw materials, work-in-process and finished goods.

Export-Related Inventory **not** eligible for inclusion in the Export-Related Borrowing Base is listed below. In no event shall Export-Related Inventory include any Inventory:

a. that is not subject to a valid, perfected, and enforceable first priority Lien in favor of the Lender;

b. that is located at an address that has not been disclosed to the Lender in writing;

c. that is not located in the United States, unless pre-approved by Ex-Im Bank in writing;

d. that is placed by the Borrower on consignment or held by the Borrower on consignment;

e. that is in the possession of a processor or bailee, or located on premises leased or subleased to the Borrower, or on premises subject to a mortgage in favor of a party other than the Lender, unless such processor or bailee or lessor or sublessor or mortgagee (as applicable) of such premises has executed and delivered all documentation which the Lender shall require to evidence its priority with respect to such Inventory as well as its right to gain access to such Inventory;

f. that is produced in violation of the Fair Labor Standards Act or subject to the “hot goods” provisions contained in 29 U.S.C. 215 or any successor statute or section;

g. as to which any covenant, representation, or warranty with respect to such Inventory contained in the Loan Documents has been breached;

h. that is an Item or is to be incorporated into Items that do not meet 50% U.S. Content requirements;

i. that is demonstration Inventory;

j. that consists of proprietary software (i.e., software designed solely for the Borrower’s internal use and not intended for resale);

k. that is damaged, obsolete, returned, defective, recalled or unfit for further processing;

l. that has previously been exported from the U.S.;

m. that constitutes or will be incorporated into Items that constitute, defense articles or services;

n. that is an Item or will be incorporated into Items that will be used in the construction, alteration, operation or maintenance of nuclear power, enrichment, reprocessing, research or heavy water production facilities unless with Ex-Im Bank’s prior written consent;

o. that is an Item or to be incorporated into Items destined for shipment to a country with which Ex-Im Bank is legally prohibited from doing business as designated in the current Country Limitation Schedule, or that the Borrower has knowledge will be re-exported by a foreign Buyer to a country in which Ex-Im Bank is legally prohibited from doing business;

p. that is an Item or is to be incorporated into Items destined for shipment to a Buyer in a country in which Ex-Im Bank coverage is not available for commercial reasons as designated in the current Country Limitation Schedule, unless and only to the extent that such Inventory is sold to the foreign Buyer on terms of an irrevocable letter of credit confirmed by a bank acceptable to Ex-Im Bank;

q. that constitutes or is to be incorporated into Items whose sale would result in an Account Receivable that would not be an Eligible Export-Related Account Receivable;

r. that is included as eligible inventory under any other credit facility to which Borrower is a party; or

s. that is, or is to be incorporated into, an Item that is a Capital Good unless the transaction is in accordance with Section 2.14 “Economic Impact Approval” of the Borrower Agreement.

* * *

Exhibit 99.1

Contact:

AtriCure, Inc.
Julie A. Piton
Vice President and Chief Financial Officer
(513) 755-4561
jpiton@atricure.com

AtriCure Reports Record Second Quarter 2010 Financial Results

Highlights

- Revenue of $14.2 million – strengthening U.S. revenues of $11.8 million
- Positive cash from operations during the quarter of $1.1 million
- Loss from operations improves 58 percent – record low of $0.4 million
- Obtained commitment to expand borrowing capacity under existing credit facility
- Obtained FDA clearance and initiated launch of the AtriClip™ system in the U.S.
- Positive progress toward ABLATE submission and an AF indication

WEST CHESTER, Ohio – August 4, 2010 – AtriCure, Inc. (Nasdaq: ATRC), a medical device company and a leader in cardiac surgical ablation systems and systems for the exclusion of the left atrial appendage, today announced revenue of $14.2 million for its second quarter of 2010 and a record low loss from operations and net loss per share. Revenue from product sales in the United States was $11.8 million. International revenue was $2.3 million, which included a one-time unfavorable impact of $0.4 million associated with transitioning a large international market from a distributor stocking model to a direct selling model.

"As a direct result of the skillfulness and resolve of the men and women of AtriCure, we have made substantial progress toward achieving our strategic priorities and are encouraged by our second quarter operating and financial performance. The increasing strength of our product portfolio and sales force is driving market share gains. Additionally, our commitment to align costs with revenue resulted in record financial performance for operating loss, net loss and net loss per share," said David J. Drachman, President and Chief Executive Officer. "As a result of recent meetings with the FDA, we intend to file our final PMA module for our ABLATE clinical trial, which is in support of an atrial fibrillation indication, during the first quarter of 2011. Furthermore, our recently approved AtriClip system introduces AtriCure into an emerging market that is highly valued in cardiac medicine and represents a large near and long term growth platform."

Second Quarter Financial Results

Revenue for the second quarter of 2010 was $14.2 million, a $0.4 million increase when compared to second quarter 2009 revenue of $13.8 million. Domestic revenue increased 5.5 percent to $11.8 million. Revenue from domestic open-heart products for the second quarter of 2010 increased to $7.6 million from $7.3 million. Revenue from domestic minimally invasive products increased from $4.0 million for the second quarter of 2009 to $4.3 million for the second quarter of 2010. International revenue was $2.3 million for the second quarter of 2010 as compared to $2.6 million for the second quarter of 2009. International revenue for the quarter was negatively impacted by $0.4 million as compared to the second quarter of 2009 due to transitioning a large international market from a stocking distributor model to AtriCure's direct sales and marketing organization.

Gross profit for the second quarter of 2010 was $11.2 million as compared to $10.7 million for the second quarter of 2009. Gross margin for the second quarter of 2010 was 79.1 percent compared to gross margin of 77.4 percent for the second quarter of 2009. The improvement in gross margin was primarily due to an increased mix of revenue from U.S. sales and a reduction in product costs, partially offset by revenue from new products, which have a lower gross margin than existing disposable products.

Operating expenses on a GAAP basis for the second quarter of 2010 were consistent with second quarter 2010 operating expenses of $11.7 million. Operating expenses included a reduction of $0.7 million in research and development expenses, due primarily to reductions in product development expenditures and clinical trial enrollment expenses. Selling, general and administrative expenses increased $0.7 million, due primarily to an increase in sales and marketing headcount related expenses.

Loss from operations improved 58.1 percent to $0.4 million, driven by increased revenue and gross margin expansion. Adjusted EBITDA for the second quarter of 2010 improved 85.8 percent to $0.8 million as compared with $0.4 million for the second quarter of 2009.

Cash, cash equivalents and investments were $12.0 million at June 30, 2010.

Recent Business Developments

During June 2010, AtriCure's AtriClip system received 510(k) clearance for occlusion of the left atrial appendage for use under direct visualization during concomitant open-heart procedures. The AtriClip system is designed to safely and effectively exclude the left atrial appendage. David Drachman commented, "There is a large and emerging market for safe and effective left atrial appendage exclusion devices and we are highly encouraged by the initial customer interest and feedback. We believe the AtriClip system presents a large and exciting new market opportunity as well as a near-term growth catalyst. We estimate the annual U.S. market opportunity for the AtriClip system, when used during open-heart procedures, to be more than $150 million."

As a result of recent meetings with the FDA related to AtriCure's ABLATE clinical trial, AtriCure plans to file its final clinical PMA module during the first quarter of 2011. This submission will not require the enrollment of additional patients in either ABLATE or the ABLATE continued access protocol. The ABLATE clinical trial is a pivotal trial in support of an atrial fibrillation indication for patients undergoing concomitant cardiac procedures.

Credit Facility Expansion

In August 2010, AtriCure signed a commitment letter with Silicon Valley Bank that provides for increased borrowing capacity under the revolving loan portion of the facility and increases the total facility from $10 million to $14 million. The company estimates that the amendment to the facility will increase available borrowing capacity by approximately $5.5 million, providing for total incremental borrowing availability of approximately $7.5 million.

Earnings Call Information

Management will host a conference call at 10:00 a.m. Eastern Time on Wednesday, August 4, 2010 to discuss its second quarter 2010 financial results. A live web cast of the conference call will be available online from the investor relations page of AtriCure's corporate web site at www.atricure.com.

Pre-registration is available and recommended for this call at the following URL:

https://www.theconferencingservice.com/prereg/key.process?key=PMBRCEER8

You may also access this call through an operator by calling (888) 680-0894 for domestic callers and (617) 213-4860 for international callers at least 15 minutes prior to the call start time using reservation code 98919872.

The webcast will be available on AtriCure's web site and a telephonic replay of the call will also be available through September 4, 2010. The replay dial-in numbers are (888) 286-8010 for domestic callers and (617) 801-6888 for international callers. The reservation code is 47564921.

About AtriCure, Inc.

AtriCure, Inc. is a medical device company and a leader in developing, manufacturing and selling innovative cardiac surgical ablation systems designed to create precise lesions, or scars, in cardiac, or heart, tissue and systems for the exclusion of the left atrial appendage. The Company believes cardiothoracic surgeons are adopting its products for the treatment of atrial fibrillation, or AF, during concomitant open-heart surgical procedures and sole-therapy minimally invasive procedures. AF affects more than 5.5 million people worldwide and predisposes them to a five-fold increased risk of stroke. AtriCure is conducting clinical trials in support of an AF indication. However, to date, the FDA has not cleared or approved AtriCure's products for the treatment of AF or a reduction in the risk of stroke.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements that address activities, events or developments that AtriCure expects, believes or anticipates will or may occur in the future, such as earnings estimates, other predictions of financial performance, launches by AtriCure of new products and market acceptance of AtriCure's products. Forward-looking statements are based on AtriCure's experience and perception of current conditions, trends, expected future developments and other factors it believes are appropriate under the circumstances and are subject to numerous risks and uncertainties, many of which are beyond

AtriCure's control. These risks and uncertainties include the rate and degree of market acceptance of AtriCure's products, AtriCure's ability to develop and market new and enhanced products, the timing of and ability to obtain and maintain regulatory clearances and approvals for its products, the timing of and ability to obtain reimbursement of procedures utilizing AtriCure's products, competition from existing and new products and procedures or AtriCure's ability to effectively react to other risks and uncertainties described from time to time in AtriCure's SEC filings, such as fluctuation of quarterly financial results, reliance on third party manufacturers and suppliers, litigation (including the purported class action lawsuits) or other proceedings, government regulation and stock price volatility. AtriCure does not guarantee any forward-looking statement, and actual results may differ materially from those projected. AtriCure undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Use of Non-GAAP Financial Measures

To supplement AtriCure's condensed consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles, or GAAP, AtriCure uses certain non-GAAP financial measures in this release as supplemental financial metrics. Non-GAAP financial measures provide an indication of performance excluding certain items. Our management believes that in order to properly understand short-term and long-term financial trends, investors may wish to consider the impact of these excluded items in addition to GAAP measures. The excluded items vary in frequency and/or impact on our continuing operations and our management believes that the excluded items are typically not reflective of our ongoing core business operations. Further, management uses results of operations before these excluded items as a basis for its strategic planning. The non-GAAP financial measures used by AtriCure may not be the same or calculated the same as those used by other companies. Reconciliations of the non-GAAP financial measures used in this release to the most comparable GAAP measures for the respective periods can be found in tables later in this release. Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for AtriCure's financial results prepared and reported in accordance with GAAP.

ATRICURE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenue	$14,192,312	$13,777,950	$28,144,112	$27,451,853
Cost of revenue	2,963,673	3,107,816	6,236,309	6,052,474
Gross profit	11,228,639	10,670,134	21,907,803	21,399,379
Operating expenses:				
Research and development expenses	2,422,443	3,138,339	5,080,371	6,055,172
Selling, general and administrative expenses	9,239,056	8,565,233	18,950,578	17,497,376
Goodwill impairment	—	—	—	6,812,389
Total operating expenses	11,661,499	11,703,572	24,030,949	30,364,937
Loss from operations	(432,860)	(1,033,438)	(2,123,146)	(8,965,558)
Other expense	(331,537)	(420,663)	(652,392)	(484,705)
Loss before income tax (expense) benefit	(764,397)	(1,454,101)	(2,775,538)	(9,450,263)
Income tax (expense) benefit	(109)	11,033	1,681	42,273
Net loss	$ (764,506)	$ (1,443,068)	$ (2,773,857)	$ (9,407,990)
Basic and diluted net loss per share	$ (0.05)	$ (0.10)	$ (0.18)	$ (0.65)

ATRICURE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	$ 11,980,217	$ 15,722,098
Accounts receivable	7,720,511	7,248,087
Inventories	5,988,966	4,869,708
Other current assets	5,651,610	3,511,335
Total current assets	31,341,304	31,351,228
Property and equipment, net	2,943,284	3,008,699
Intangible assets	146,903	287,653
Other assets	322,043	334,756
Total assets	$ 34,753,534	$ 34,982,336
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 11,930,173	$ 9,579,119
Current maturities of debt and capital lease obligations	2,210,699	2,227,431
Total current liabilities	14,140,872	11,806,550
Long-term debt and capital lease obligations	1,675,923	2,669,666
Other liabilities	3,197,608	3,416,360
Total liabilities	19,014,403	17,892,576
Stockholders' equity:		
Common stock	15,558	15,353
Additional paid-in capital	112,574,466	110,900,087
Other comprehensive income	(107,066)	144,290
Accumulated deficit	(96,743,827)	(93,969,970)
Total stockholders' equity	15,739,131	17,089,760
Total liabilities and stockholders' equity	$ 34,753,534	$ 34,982,336

ATRICURE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2010	2009
Cash flows from operating activities:		
Net loss	$(2,773,857)	$ (9,407,990)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,236,654	1,185,268
Amortization of deferred financing costs and discount on long-term debt	154,102	189,638
Loss on disposal of equipment	—	3,083
Change in allowance for doubtful accounts	(14,377)	35,933
Goodwill impairment	—	6,812,389
Share-based compensation	1,438,976	1,971,013
Changes in assets and liabilities		
Accounts receivable	(638,572)	(855,135)
Inventories	(1,247,449)	437,382
Other current assets	530,643	83,162
Accounts payable and accrued liabilities	(348,209)	(1,492,756)
Other non-current assets and liabilities	(222,081)	(163,289)
Net cash used in operating activities	(1,884,170)	(1,201,302)
Cash flows from investing activities:		
Purchases of equipment	(1,037,008)	(757,958)
Purchases of available-for-sale securities	(3,608,774)	(2,009,267)
Maturities of available-for-sale securities	5,298,491	—
Change in restricted cash and cash equivalents	—	6,000,000
Net cash provided by investing activities	652,709	3,232,775
Cash flows from financing activities:		
Payments on debt and capital leases	(1,113,078)	(6,377,799)
Proceeds from borrowings of debt	—	6,500,000
Payment of debt fees	(65,597)	(123,233)
Proceeds from stock option exercises	34,754	—
Proceeds from issuance of common stock under employee stock purchase plan	225,084	120,410
Net cash (used in) provided by financing activities	(918,837)	119,378
Effect of exchange rate changes on cash and cash equivalents	98,979	128,745
Net (decrease) increase in cash and cash equivalents	(2,051,319)	2,279,596
Cash and cash equivalents - beginning of period	8,905,425	11,448,451
Cash and cash equivalents - end of period	$ 6,854,106	$13,728,047

ATRICURE, INC.
RECONCILIATION OF GAAP RESULTS TO NON-GAAP RESULTS
(Unaudited)

Reconciliation of Net Loss and Net Loss per Share to Non-GAAP Net Loss and Net Loss per Share

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net loss, as reported	$ (764,506)	$ (1,443,068)	$ (2,773,857)	$ (9,407,990)
Goodwill impairment, net of tax	—	—	—	6,812,389
Non-GAAP adjusted net loss	$ (764,506)	$ (1,443,068)	$ (2,773,857)	$ (2,595,601)
Basic and diluted net loss per share, as reported	$ (0.05)	$ (0.10)	$ (0.18)	$ (0.65)
Goodwill impairment, net of tax	—	—	—	0.47
Non-GAAP adjusted basic and diluted net loss per share	$ (0.05)	$ (0.10)	$ (0.18)	$ (0.18)

Reconciliation of Operating Expenses and Loss from Operations to Non-GAAP Operating Expenses and Loss from Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Operating expenses, as reported	$ 11,661,499	$ 11,703,572	$ 24,030,949	$ 30,364,937
Goodwill impairment	—	—	—	6,812,389
Non-GAAP adjusted operating expenses	$ 11,661,499	$ 11,703,572	$ 24,030,949	$ 23,552,548
Loss from operations, as reported	$ (432,860)	$ (1,033,438)	$ (2,123,146)	$ (8,965,558)
Goodwill impairment	—	—	—	6,812,389
Non-GAAP adjusted loss from operations	$ (432,860)	$ (1,033,438)	$ (2,123,146)	$ (2,153,169)

Reconciliation of Non-GAAP Adjusted Earnings (Adjusted EBITDA)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net loss, as reported	$ (764,506)	$ (1,443,068)	$ (2,773,857)	$ (9,407,990)
Income tax (expense) benefit	109	(11,033)	(1,681)	(42,273)
Other expense (a)	331,537	420,663	652,392	484,705
Depreciation and amortization expense	605,941	603,675	1,236,654	1,185,268
Share-based compensation expense	626,946	860,278	1,438,976	1,971,013
Goodwill impairment	—	—	—	6,812,389
Non-GAAP adjusted earnings (adjusted EBITDA)	$ 800,027	$ 430,515	$ 552,484	$ 1,003,112

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
(a) Other includes:				
Interest expense	$ (208,586)	$ (262,821)	$ (464,946)	$ (303,306)
Loss due to exchange rate fluctuation	(95,746)	(81,869)	(159,952)	(130,256)
Non-employee stock option expense	(27,205)	(75,973)	(27,494)	(51,143)
Other expense	$ (331,537)	$ (420,663)	$ (652,392)	$ (484,705)

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