

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2021

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-51470

**AtriCure, Inc.**

(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation)

34-1940305  
(IRS Employer  
Identification No.)

7555 Innovation Way  
Mason, OH 45040  
(Address of principal executive offices)

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

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$.001 par value	ATRC	NASDAQ

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

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

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>		

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): YES  NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at November 1, 2021</u>
Common Stock, \$.001 par value	45,931,819

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**ATRICURE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In Thousands, Except Per Share Amounts)  
(Unaudited)

	September 30, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 39,886	\$ 41,944
Short-term investments	79,860	202,274
Accounts receivable, less allowance for credit losses of \$1,161 and \$1,096	33,498	23,146
Inventories	38,587	35,026
Prepaid and other current assets	3,876	4,347
Total current assets	195,707	306,737
Property and equipment, net	29,901	28,290
Operating lease right-of-use assets	2,465	1,914
Long-term investments	105,097	14,178
Intangible assets, net	43,963	128,199
Goodwill	234,781	234,781
Other noncurrent assets	1,055	440
Total Assets	<u>\$ 612,969</u>	<u>\$ 714,539</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 17,527	\$ 12,736
Accrued liabilities	31,846	27,984
Other current liabilities and current maturities of debt and leases	4,581	8,417
Total current liabilities	53,954	49,137
Long-term debt	56,354	53,435
Finance lease liabilities	10,317	10,969
Operating lease liabilities	1,593	1,180
Contingent consideration and other noncurrent liabilities	2,282	187,424
Total Liabilities	124,500	302,145
Commitments and contingencies (Note 7)		
Stockholders' Equity:		
Common stock, \$0.001 par value, 90,000 shares authorized and 45,933 and 45,346 issued and outstanding	46	45
Additional paid-in capital	755,048	742,389
Accumulated other comprehensive (loss) income	(213)	312
Accumulated deficit	(266,412)	(330,352)
Total Stockholders' Equity	488,469	412,394
Total Liabilities and Stockholders' Equity	<u>\$ 612,969</u>	<u>\$ 714,539</u>

See accompanying notes to condensed consolidated financial statements.

**ATRICURE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(In Thousands, Except Per Share Amounts)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 70,460	\$ 54,757	201,111	\$ 148,806
Cost of revenue	18,234	\$ 14,423	50,267	41,934
Gross profit	52,226	\$ 40,334	150,844	106,872
Operating (benefit) expenses:				
Research and development expenses	11,284	10,576	34,698	32,199
Selling, general and administrative expenses	49,873	33,557	150,939	106,257
Change in fair value of contingent consideration (Note 2)	(189,900)	192	(184,800)	(4,854)
Intangible asset impairment (Note 3)	82,300	—	82,300	—
Total operating (benefit) expenses	(46,443)	44,325	83,137	133,602
Income (loss) from operations	98,669	(3,991)	67,707	(26,730)
Other income (expense):				
Interest expense	(1,449)	(1,232)	(3,835)	(3,691)
Interest income	117	246	354	914
Other	(191)	24	(151)	(70)
Income (loss) before income tax expense	97,146	(4,953)	64,075	(29,577)
Income tax expense (benefit)	38	(4)	135	16
Net income (loss)	\$ 97,108	\$ (4,949)	\$ 63,940	\$ (29,593)
Net income (loss) per share				
Basic net income (loss) per share	\$ 2.15	\$ (0.11)	\$ 1.42	\$ (0.71)
Diluted net income (loss) per share	\$ 2.11	\$ (0.11)	\$ 1.39	\$ (0.71)
Weighted average shares outstanding				
Basic	45,258	44,012	44,977	41,442
Diluted	46,100	44,012	45,996	41,442
Comprehensive income (loss):				
Unrealized (loss) gain on investments	\$ (14)	\$ (85)	\$ (177)	\$ 26
Foreign currency translation adjustment	(112)	238	(348)	189
Other comprehensive (loss) income	(126)	153	(525)	215
Net income (loss)	97,108	(4,949)	63,940	(29,593)
Comprehensive income (loss), net of tax	\$ 96,982	\$ (4,796)	\$ 63,415	\$ (29,378)

See accompanying notes to condensed consolidated financial statements.

**ATRICURE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In Thousands)  
(Unaudited)

**Three-Month Period Ended September 30, 2020**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance—June 30, 2020	44,939	\$ 45	\$ 723,754	\$ (306,841)	\$ (96)	\$ 416,862
Impact of equity compensation plans	82	—	5,466	—	—	5,466
Other comprehensive income	—	—	—	—	153	153
Net loss	—	—	—	(4,949)	—	(4,949)
Balance—September 30, 2020	45,021	\$ 45	\$ 729,220	\$ (311,790)	\$ 57	\$ 417,532

**Three-Month Period Ended September 30, 2021**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance—June 30, 2021	45,881	\$ 46	\$ 748,644	\$ (363,520)	\$ (87)	\$ 385,083
Impact of equity compensation plans	52	—	6,404	—	—	6,404
Other comprehensive loss	—	—	—	—	(126)	(126)
Net income	—	—	—	97,108	—	97,108
Balance—September 30, 2021	45,933	\$ 46	\$ 755,048	\$ (266,412)	\$ (213)	\$ 488,469

**Nine-Month Period Ended September 30, 2020**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance—December 31, 2019	39,655	\$ 40	\$ 529,658	\$ (282,197)	\$ (158)	\$ 247,343
Issuance of common stock through public offering	4,574	5	188,953	—	—	188,958
Impact of equity compensation plans	792	—	10,609	—	—	10,609
Other comprehensive income	—	—	—	—	215	215
Net loss	—	—	—	(29,593)	—	(29,593)
Balance—September 30, 2020	45,021	\$ 45	\$ 729,220	\$ (311,790)	\$ 57	\$ 417,532

**Nine-Month Period Ended September 30, 2021**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance—December 31, 2020	45,346	\$ 45	\$ 742,389	\$ (330,352)	\$ 312	\$ 412,394
Impact of equity compensation plans	587	1	12,659	—	—	12,660
Other comprehensive loss	—	—	—	—	(525)	(525)
Net income	—	—	—	63,940	—	63,940
Balance—September 30, 2021	45,933	\$ 46	\$ 755,048	\$ (266,412)	\$ (213)	\$ 488,469

See accompanying notes to condensed consolidated financial statements.

**ATRICURE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands)  
(Unaudited)

	Nine Months Ended September 30,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 63,940	\$ (29,593)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Share-based compensation expense	20,539	16,126
Depreciation	5,672	5,937
Amortization of intangible assets	1,936	1,444
Amortization of deferred financing costs	628	423
Loss on disposal of property and equipment	68	93
Amortization of investments	1,847	628
Change in fair value of contingent consideration	(184,800)	(4,854)
Intangible asset impairment	82,300	—
Other non-cash adjustments to income	896	871
Changes in operating assets and liabilities:		
Accounts receivable	(10,583)	2,675
Inventories	(3,809)	(4,746)
Other current assets	436	481
Accounts payable	4,527	(515)
Accrued liabilities	3,987	(13,688)
Other noncurrent assets and liabilities	(1,665)	895
Net cash used in operating activities	(14,081)	(23,823)
<b>Cash flows from investing activities:</b>		
Purchases of available-for-sale securities	(160,577)	(200,795)
Sales and maturities of available-for-sale securities	190,047	49,984
Purchases of property and equipment	(7,043)	(4,207)
Proceeds from capital grant	—	800
Net cash provided by (used in) investing activities	22,427	(154,218)
<b>Cash flows from financing activities:</b>		
Proceeds from sale of stock, net of offering costs of \$0 and \$218	—	188,958
Payments on debt and leases	(2,269)	(468)
Payments of debt fees	—	(34)
Proceeds from stock option exercises and employee stock purchase plan	10,020	7,412
Shares repurchased for payment of taxes on stock awards	(17,900)	(12,929)
Net cash (used in) provided by financing activities	(10,149)	182,939
Effect of exchange rate changes on cash and cash equivalents	(255)	—
Net (decrease) increase in cash and cash equivalents	(2,058)	4,898
Cash and cash equivalents—beginning of period	41,944	28,483
Cash and cash equivalents—end of period	\$ 39,886	\$ 33,381
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 3,225	\$ 3,286
Cash paid for income taxes, net of refunds	153	206
<b>Non-cash investing and financing activities:</b>		
Accrued purchases of property and equipment	606	88

See accompanying notes to condensed consolidated financial statements.

**ATRICURE, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(In Thousands, except per share amounts)**  
**(Unaudited)**

## 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of the Business**—The “Company” or “AtriCure” consists of AtriCure, Inc. and its wholly-owned subsidiaries. The Company is a leading innovator in treatments for atrial fibrillation (Afib) and left atrial appendage (LAA) management and sells its products to medical centers globally through its direct sales force and distributors.

**Basis of Presentation**—The accompanying interim financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (SEC). The accompanying interim financial statements are unaudited, but in the opinion of the Company’s management, contain all normal, recurring adjustments considered necessary to present fairly the financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to interim periods. Certain information and footnote disclosures included in annual financial statements prepared in accordance with GAAP have been omitted or condensed. The Company believes the disclosures herein are adequate to make the information presented not misleading. Results of operations are not necessarily indicative of the results expected for the full year or for any future period.

The accompanying interim financial statements should be read in conjunction with the Company’s audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC. All intercompany accounts and transactions have been eliminated in consolidation.

**Reclassification**—In the quarter ended September 30, 2021, the Company changed the presentation of its condensed consolidated statement of operations and comprehensive income (loss) to separately disclose the change in contingent consideration, previously reported in selling, general and administrative expenses. Amounts for comparative prior fiscal periods have been reclassified to conform to the current period presentation. This reclassification had no impact on previously reported net income or financial position.

**Cash and Cash Equivalents**—The Company considers highly liquid investments with maturities of three months or less at the date of purchase as cash equivalents. Cash equivalents include demand deposits, money market funds and repurchase agreements on deposit with financial institutions.

**Investments**—The Company invests primarily in government and agency obligations, corporate bonds, commercial paper and asset-backed securities and classifies all investments as available-for-sale. Investments maturing in less than one year are classified as short-term investments. Investments are recorded at fair value, with unrealized gains and losses recorded as accumulated other comprehensive income (loss). Gains and losses are recognized using the specific identification method when securities are sold and are included in interest income.

**Revenue Recognition**—The Company recognizes revenue when control of promised goods is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods. This generally occurs upon shipment of goods to customers. See Note 8 for further discussion on revenue.

**Sales Returns and Allowances**—The Company maintains a provision for potential returns of defective or damaged products and invoice adjustments. The Company adjusts the provision using the expected value method based on historical experience. Increases to the provision reduce revenue, and the provision is included in accrued liabilities.

**Allowance for Credit Losses on Accounts Receivable**—The Company evaluates the expected credit losses on accounts receivable, considering historical credit losses, current customer-specific information and other relevant factors when determining the allowance. An increase to the allowance for credit losses results in a corresponding increase in selling, general and administrative expenses. The Company charges off uncollectible receivables against the allowance when all attempts to collect the receivable have failed. The Company’s history of write-offs has not been significant.

**Inventories**—Inventories are stated at the lower of cost or net realizable value based on the first-in, first-out cost method (FIFO) and consist of raw materials, work in process and finished goods. The Company’s industry is characterized by rapid product development and frequent new product introductions. Uncertain timing of regulatory approvals, variability in product launch strategies and variation in product use all impact inventory reserves for excess, obsolete and expired products. An increase to inventory reserves results in a corresponding increase in cost of revenue. Inventories are written off against the reserve when they are physically disposed.

**ATRICURE, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(In Thousands, except per share amounts)  
(Unaudited)

Inventories consist of the following:

	September 30, 2021	December 31, 2020
Raw materials	\$ 13,053	\$ 11,966
Work in process	3,357	2,424
Finished goods	22,177	20,636
Inventories	<u>\$ 38,587</u>	<u>\$ 35,026</u>

**Property and Equipment**—Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of assets. The estimated useful life by major asset category is the following:

	Estimated Useful Life
Generators and related equipment	1 - 3 years
Building and building under finance lease	15 - 20 years
Computers, software and office equipment	3 - 5 years
Machinery and equipment	3 - 7 years
Furniture and fixtures	3 - 7 years
Leasehold improvements	5 - 15 years
Equipment under finance leases	3 - 5 years

The Company assesses the useful lives of property and equipment at least annually and retires assets no longer in use. Maintenance and repair costs are expensed as incurred. The Company reviews property and equipment for impairment at least annually using its best estimates based on reasonable and supportable assumptions and expected future cash flows. Property and equipment impairments have not been significant.

The Company's radiofrequency (RF) and cryo generators are generally placed with customers that use the Company's disposable products. The estimated useful lives of generators are based on anticipated usage by customers and may change in future periods with changes in usage or introduction of new technology. Depreciation of generators and related equipment, which is included in cost of revenue, was \$532 and \$613 for the three months ended September 30, 2021 and 2020 and \$1,735 and \$1,898 for the nine months ended September 30, 2021 and 2020. As of September 30, 2021 and December 31, 2020, the net carrying value of generators and related equipment included in net property and equipment was \$3,609 and \$3,410.

**Leases**— The Company leases office, manufacturing and warehouse facilities and computer equipment under leases that qualify as either financing or operating leases, as determined at the inception of the lease arrangement. Lease assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Lease assets and liabilities are measured and recorded at the commencement date based on the present value of lease payments over the lease term.

Lease assets and liabilities exclude lease incentives and include options to extend or terminate when it is reasonably certain the Company will exercise that option. The Company uses the implicit rate when readily determinable; however, as most leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at measurement. The Company also applies the short-term lease recognition exemption, recognizing lease payments in profit or loss, for leases that have a lease term of 12 months or less at commencement and do not include an option to extend the lease whose exercise is reasonably certain. For real estate and equipment leases, the Company accounts for the lease and non-lease components as a single lease component. Additionally, the portfolio approach is applied for the operating leases based on the terms of the underlying leases.

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities, while finance leases are included in property and equipment and finance lease liabilities. The short-term portions of both lease liabilities are included in other current liabilities and current maturities of debt and leases. Operating lease expense is recognized on a straight-line basis over the lease term. See Note 6 for further discussion.



**ATRICURE, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(In Thousands, except per share amounts)**  
**(Unaudited)**

**Intangible Assets**—Intangible assets with determinable useful lives are amortized on a straight-line basis over the estimated periods benefited. Intangible assets include In Process Research and Development (IPR&D), representing the value of technology acquired in business combinations that has not yet reached technological feasibility. The primary basis for determining technological feasibility is obtaining specific regulatory approvals. IPR&D is accounted for as an indefinite-lived intangible asset until completion or abandonment of the IPR&D project. Upon completion of the development project, IPR&D will be amortized over its estimated useful life. Due to the nature of IPR&D projects, the Company may experience future delays or failures to obtain regulatory approvals or market clearances, or may discontinue or abandon the project, all which may impact the estimated fair value of the IPR&D project. As a result, the Company may have a full or partial impairment charge related to the IPR&D, calculated as the excess carrying value of the IPR&D asset over the estimated fair value.

The Company reviews intangible assets at least annually for impairment using its best estimates based on reasonable and supportable assumptions and projections. The Company performs impairment testing annually on October 1 or more often if impairment indicators are present.

Through April 2021, the IPR&D asset included an estimate of the fair value of the pre-market approval (PMA) that could result from the CONVERGE IDE and aMAZE™ IDE clinical trials. The Company received PMA approval for CONVERGE on April 28, 2021 and began amortizing the \$44,021 technology asset over an estimated fifteen year life. During the third quarter 2021, the Company identified indicators of impairment for the IPR&D asset that represents an estimate of the fair value of the PMA that could result from the aMAZE clinical trial. As a result of the analysis performed, the Company recorded an impairment loss of \$82,300. See Note 3 for further discussion.

**Goodwill**—Goodwill represents the excess of purchase price over the fair value of the net assets acquired in business combinations. The Company's goodwill is accounted for in a single reporting unit representing the Company as a whole. The Company performs impairment testing annually on October 1 or more often if impairment indicators are present.

**Contingent Consideration and Other Noncurrent Liabilities**—This balance consists of contingent consideration from business combinations, as well as deferred payroll taxes as a result of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), asset retirement obligations and other contractual obligations. The contingent consideration balance is included in noncurrent liabilities as any settlement is expected to be made primarily in shares of the Company's common stock pursuant to the SentreHEART, Inc. (SentreHEART) merger agreement. See Note 2 for further discussion.

**Other Income (Expense)**—Other income (expense) consists primarily of foreign currency transaction gains and losses generated by settlements of intercompany balances denominated in Euros and customer invoices transacted in British Pounds.

**Taxes**—Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities from a change in tax rates is recognized in the period that includes the enactment date.

The Company's estimate of the valuation allowance for deferred income tax assets requires significant estimates and judgments about future operating results. Deferred income tax assets are reduced by valuation allowances if, based on the consideration of all available evidence, it is more-likely-than-not that the deferred income tax asset will not be realized. Significant weight is given to evidence that can be objectively verified. The Company evaluates deferred income tax assets on an annual basis to determine if valuation allowances are required. Deferred income tax assets are realized by having sufficient future taxable income to allow the related tax benefits to reduce taxes otherwise payable. The sources of taxable income that may be available to realize the benefit of deferred income tax assets are future taxable income, future reversals of existing taxable temporary differences, carryforwards and tax planning strategies that are both prudent and feasible. In evaluating the need for a valuation allowance, the existence of cumulative losses in recent years is significant objectively verifiable negative evidence that must be overcome by objectively verifiable positive evidence to avoid the need for a valuation allowance. The Company has established a full valuation allowance against substantially all net deferred income tax assets as it is more-likely-than-not that the benefit of the deferred income tax assets will not be recognized in future periods. The Company has not reclassified income tax effects of the Tax Cuts and Jobs Act within accumulated other comprehensive income (loss) to retained earnings due to its full valuation allowance.

**ATRICURE, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(In Thousands, except per share amounts)  
(Unaudited)

**Earnings Per Share**—Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share reflects net income available to common stockholders divided by the weighted average number of common shares outstanding during the period and any dilutive common share equivalents, including shares issuable upon the vesting of restricted stock awards and restricted stock units, exercise of stock options as well as shares issuable under the Company's employee stock purchase plan (ESPP).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss) available to common stockholders	\$ 97,108	\$ (4,949)	\$ 63,940	\$ (29,593)
Basic weighted average common shares outstanding	45,258	44,012	44,977	41,442
Effect of dilutive securities	842	—	1,019	—
Diluted weighted average common shares outstanding	46,100	44,012	45,996	41,442
Basic net income (loss) per common share	\$ 2.15	\$ (0.11)	\$ 1.42	\$ (0.71)
Diluted net income (loss) per common share	\$ 2.11	\$ (0.11)	\$ 1.39	\$ (0.71)

For the three and nine months ended September 30, 2020, net loss per share excludes the effect of 2,687 shares because the effect would be anti-dilutive. The computation of diluted earnings per share in the three and nine month periods ended September 30, 2021 excludes 491 and 582 shares because the effect would be anti-dilutive.

**Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)**—In addition to net income (loss), the comprehensive income (loss) includes foreign currency translation adjustments and unrealized gains (losses) on investments.

Accumulated other comprehensive income (loss) consisted of the following, net of tax:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Total accumulated other comprehensive income (loss) at beginning of period	\$ (87)	\$ (96)	\$ 312	\$ (158)
<b>Unrealized Gains (Losses) on Investments</b>				
Balance at beginning of period	\$ (109)	\$ 211	\$ 54	\$ 100
Other comprehensive (loss) income before reclassifications	(14)	(85)	(177)	7
Amounts reclassified from accumulated other comprehensive income (loss) to other income (expense)	—	—	—	19
Balance at end of period	\$ (123)	\$ 126	\$ (123)	\$ 126
<b>Foreign Currency Translation Adjustment</b>				
Balance at beginning of period	\$ 22	\$ (307)	\$ 258	\$ (258)
Other comprehensive (loss) income before reclassifications	(293)	290	(555)	177
Amounts reclassified from accumulated other comprehensive income (loss) to other income (expense)	181	(52)	207	12
Balance at end of period	\$ (90)	\$ (69)	\$ (90)	\$ (69)
Total accumulated other comprehensive income (loss) at end of period	\$ (213)	\$ 57	\$ (213)	\$ 57

**ATRICURE, INC. AND SUBSIDIARIES**  
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**Research and Development Costs**—Research and development costs are expensed as incurred. These costs include compensation and other internal and external costs associated with the development and research of new and existing products or concepts, preclinical studies, clinical trials and related regulatory activities, as well as amortization of technology assets.

**Advertising Costs**—The Company expenses advertising costs as incurred. Advertising costs were not significant during the three and nine months ended September 30, 2021 and 2020.

**Share-Based Compensation**—The Company records share-based compensation for all share-based payment awards, including stock options, restricted stock awards, restricted stock units, performance shares (PSAs) and stock purchases related to an employee stock purchase plan, based on estimated fair values. The value of the portion of an award that is ultimately expected to vest, net of estimated forfeitures, is recognized as expense over the service period. The Company estimates forfeitures at the time of grant and revises them, as necessary, in subsequent periods as actual forfeitures differ from those estimates. The Company recognized share-based compensation expense of \$6,794 and \$5,549 for the three months ended September 30, 2021 and 2020 and \$20,539 and \$16,126 for the nine months ended September 30, 2021 and 2020.

The Company estimates the fair value of time-based options on the date of grant using the Black-Scholes option-pricing model (Black-Scholes model). The Company's determination of the fair value is affected by the Company's stock price as well as several subjective assumptions, such as the Company's expected stock price volatility over the term of the awards and actual and projected employee stock option exercise behaviors. The Company estimates the fair value of restricted stock awards and restricted stock units based upon the grant date closing market price of the Company's common stock.

The Company estimates the fair value of PSAs with a performance condition based on the closing stock price on the date of grant assuming the performance goal will be achieved and may adjust expense over the performance period based on changes to estimates of performance target achievement. If such goals are not met or service is not rendered for the requisite service period, no compensation cost is recognized, and any recognized compensation cost will be reversed. For PSAs with a market condition, a Monte Carlo simulation is performed to estimate the fair value on the date of grant, and compensation cost is recognized over the requisite service period as the employee renders service, even if the market condition is not satisfied. The Company's determination of the fair value is affected by the Company and the peer group's stock price, as defined by the award agreement, at the beginning of the service period and grant date, the expected volatility of the Company and peer group's stock price over the performance period and the correlation coefficient of the daily returns for the Company and peer group over the performance period.

The Company also has an employee stock purchase plan (ESPP) which is available to all eligible employees as defined by the plan document. Under the ESPP, shares of the Company's common stock may be purchased at a discount. The Company estimates the number of shares to be purchased under the ESPP at the beginning of each purchase period based upon the fair value of the stock at the beginning of the purchase period using the Black-Scholes model and records estimated compensation expense during the purchase period. Expense is adjusted at the time of stock purchase.

**Use of Estimates**—The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including intangible assets, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Estimates are based on historical experience, where applicable, and other assumptions believed to be reasonable by management. Actual results could differ from those estimates.

## **2. FAIR VALUE**

The Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 820, "Fair Value Measurements and Disclosures" (ASC 820), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three

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levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company classifies cash and investments in government and agency obligations, accounts receivable, short-term other assets, accounts payable and accrued liabilities as Level 1 within the fair value hierarchy. The carrying amounts of these assets and liabilities approximate their fair value due to their relatively short-term nature. Cash equivalents and investments in corporate bonds, commercial paper and asset-backed securities are classified as Level 2 within the fair value hierarchy. The fair value of fixed term debt is estimated by calculating the net present value of future debt payments at current market interest rates and is classified as Level 2. The book value of the Company's fixed term debt approximates its fair value because the interest rate varies with market rates.

The following table represents the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2021:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
<b>Assets:</b>				
Money market funds	\$ —	\$ 36,262	\$ —	\$ 36,262
Commercial paper	—	28,968	—	28,968
Government and agency obligations	27,936	—	—	27,936
Corporate bonds	—	98,505	—	98,505
Asset-backed securities	—	29,548	—	29,548
<b>Total assets</b>	<b>\$ 27,936</b>	<b>\$ 193,283</b>	<b>\$ —</b>	<b>\$ 221,219</b>
<b>Liabilities:</b>				
Contingent consideration	\$ —	\$ —	\$ —	\$ —
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

There were no changes in the levels or methodology of measurement of financial assets and liabilities during the three and nine months ended September 30, 2021.

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The following table represents the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2020:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
<b>Assets:</b>				
Money market funds	\$ —	\$ 38,452	\$ —	\$ 38,452
Commercial paper	—	76,914	—	76,914
Government and agency obligations	45,399	—	—	45,399
Corporate bonds	—	73,730	—	73,730
Asset-backed securities	—	20,409	—	20,409
<b>Total assets</b>	<b>\$ 45,399</b>	<b>\$ 209,505</b>	<b>\$ —</b>	<b>\$ 254,904</b>
<b>Liabilities:</b>				
Contingent consideration	\$ —	\$ —	\$ 184,800	\$ 184,800
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 184,800</b>	<b>\$ 184,800</b>

**Contingent Consideration.** The Company's contingent consideration arrangements arising from the SentreHEART acquisition obligate the Company to pay certain defined amounts to former shareholders of SentreHEART if specified milestones are met related to the aMAZE IDE clinical trial, including PMA approval and reimbursement for the therapy involving SentreHEART's devices. As of December 31, 2020, the terms of the contingent consideration arrangements under the nContact merger agreement expired.

The Company measures contingent consideration liabilities using unobservable inputs by applying the probability-weighted scenario method, an income approach. Various key assumptions, such as the probability and timing of achievement of the agreed milestones, are significant to the determination of fair value of contingent consideration arrangements and are not observable in the market, thus representing a Level 3 measurement within the fair value hierarchy. Contingent consideration liabilities are periodically measured, with changes in the estimated fair value reflected in operating expenses. Changes in the discount rate, projected time until payment and probability of payment may result in materially different fair value measurements. A decrease in the discount rate would result in a higher fair value measurement, while a decrease in the probability of payment would result in a lower fair value measurement. Movement in the forecasted timing of achievement to later in the milestone periods would cause a decrease in the fair value measurement.

In July 2021, the Company was informed that data from the aMAZE clinical trial did not achieve statistical superiority. Specifically, while the trial met the safety endpoint, the trial did not meet the primary efficacy endpoint. As the contingent consideration arrangements were success-based milestone payments, the fair value of the SentreHEART contingent consideration was remeasured as of September 30, 2021 resulting in a decrease in fair value due to changes in estimates related to both the forecasted timing and probability of achievement of the regulatory and reimbursement milestones. Specifically, the Company assessed the projected probability of payment during the contractual achievement periods to be remote as of September 30, 2021, resulting in no remaining fair value. Accordingly, the Company recorded a credit to operating expenses of \$189,900 in the third quarter 2021, reflecting the change in fair value of the contingent consideration during the three months ended September 30, 2021.

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The following table represents the Company's Level 3 fair value measurements using significant other unobservable inputs for acquisition-related contingent consideration:

	Nine Months Ended September 30, 2021	Twelve Months Ended December 31, 2020
Beginning Balance	\$ 184,800	\$ 185,157
Amounts acquired	—	—
Changes in fair value included in earnings	(184,800)	(357)
Ending Balance	<u>\$ —</u>	<u>\$ 184,800</u>

### 3. INTANGIBLE ASSETS

The following table provides a summary of the Company's intangible assets:

	Estimated Useful Life	September 30, 2021		December 31, 2020	
		Cost	Accumulated Amortization	Cost	Accumulated Amortization
Technology	5 - 15 years	\$ 55,712	\$ 11,749	\$ 11,691	\$ 9,813
IPR&D		—	—	126,321	—
Total		<u>\$ 55,712</u>	<u>\$ 11,749</u>	<u>\$ 138,012</u>	<u>\$ 9,813</u>

Following PMA approval of the EPi-Sense® System in the second quarter 2021, the related IPR&D asset with a value of \$44,021 was determined to have a finite useful life. The intangible asset is now included in technology assets and is amortized over an estimated fifteen year life.

As a result of data from the aMAZE clinical trial not achieving statistical superiority, the Company identified indicators of impairment for the IPR&D asset that represents an estimate of the fair value of the PMA that could result from the aMAZE clinical trial. During the third quarter 2021, an impairment test was performed using estimates based on reasonable and supportable assumptions and projections of expected future cash flows, and the Company recorded an impairment charge of \$82,300, reducing the carrying value of the aMAZE IPR&D asset to \$0 at September 30, 2021. This impairment charge is reflected as a component of operating expenses.

Amortization expense of intangible assets with definite lives, which excludes IPR&D assets, was \$971 and \$467 for the three months ended September 30, 2021 and 2020 and \$1,936 and \$1,444 for the nine months ended September 30, 2021 and 2020.

Future amortization expense is projected as follows:

2021 (excluding the nine months ended September 30, 2021)	\$ 972
2022	3,653
2023	2,953
2024	2,953
2025	2,953
2026 and thereafter	30,479
Total	<u>\$ 43,963</u>

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**4. ACCRUED LIABILITIES**

Accrued liabilities consisted of the following:

	September 30, 2021	December 31, 2020
Accrued compensation and employee-related expenses	\$ 26,670	\$ 17,730
Sales returns and allowances	2,611	1,889
Accrued taxes and value-added taxes payable	1,487	1,256
Accrued royalties	783	703
Other accrued liabilities	285	406
Accrued legal settlement	10	6,000
<b>Total</b>	<b>\$ 31,846</b>	<b>\$ 27,984</b>

**5. INDEBTEDNESS**

**Credit Facility.** The Company has a Loan and Security Agreement (Loan Agreement) with Silicon Valley Bank (SVB), which includes a \$60,000 term loan and a \$20,000 revolving line of credit. The total combined term loan and revolving line of credit outstanding under the Loan Agreement cannot exceed \$70,000 at any time prior to SVB's consent. The term loan and revolving credit facility both mature or expire, as applicable, on August 1, 2024. On February 8, 2021, the Company and SVB entered into an amendment to the Loan Agreement which modified the covenant reporting requirements and allowed the Company to defer the term loan principal payments until September 2021. The amendment was treated as a debt modification.

Term loan principal payments commenced September 1, 2021. The term loan accrues interest at the greater of the Prime Rate or 5.00%, plus 0.75% and is subject to an additional 3.00% fee on the \$60,000 term loan principal payable at maturity or upon acceleration or prepayment of the term loan. The Company is accruing the 3.00% fee over the term of the Loan Agreement, with \$1,020 accrued in the current portion of the outstanding loan balance as of September 30, 2021. Additionally, the unamortized original financing costs related to the term loan of \$313 are netted against the outstanding loan balance in the Condensed Consolidated Balance Sheets and are amortized ratably over the term of the Loan Agreement.

The revolving line of credit is subject to an annual facility fee of 0.15% of the revolving line of credit, and any borrowings thereunder bear interest at the greater of the Prime Rate or 5.00%. Borrowing availability under the revolving credit facility is based on the lesser of \$20,000 or a borrowing base calculation as defined by the Loan Agreement. As of September 30, 2021, the Company had no borrowings under the revolving credit facility and had borrowing availability of approximately \$10,000. Financing costs related to the revolving line of credit are included in other assets in the Condensed Consolidated Balance Sheets and amortized ratably over the twelve-month period of the annual fee.

The Loan Agreement also provides for certain prepayment and early termination fees, as well as establishes a minimum liquidity covenant and dividend restrictions, along with other customary terms and conditions. Specified assets have been pledged as collateral.

Effective November 1, 2021, the Company and SVB entered into the Sixth Amendment to the Loan and Security Agreement (Amended Loan and Security Agreement). The agreement provides for a \$60,000 term loan, with an option to make available an additional \$30,000 in term loan borrowings, and a \$30,000 revolving line of credit. The Amended Loan and Security Agreement has a five year term, expiring November 2026. Principal payments are to be made ratably commencing 24 months after the inception of the loan through the loan's maturity date. At the option of the Company, the commencement of term loan principal payments may be extended an additional twelve months. The term loan accrues interest at the Prime Rate plus 1.25% and is subject to an additional 3.00% fee on the term loan principal amount at maturity. The revolving line of credit is subject to an annual facility fee of 0.20%, and any borrowings bear interest at the floating Prime Rate. The Amended Loan and Security Agreement also provides for certain prepayment and early termination fees, as well as establishes a liquidity covenant, along with other customary terms and conditions similar to those in the Company's current agreement with SVB. This refinancing has been treated as a debt modification, with the \$1,667 principal repayment made in October 2021 classified as current, while the remaining borrowings of \$56,666 have been classified as long-term in the Condensed Consolidated Balance Sheet as of September 30, 2021.

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Future maturities of long-term debt, excluding the term loan final fee, and after consideration of the refinancing transaction in November 2021, are projected as follows:

2021 (excluding the nine months ended September 30, 2021)	\$	—
2022		—
2023		3,333
2024		20,000
2025		20,000
2026		16,667
Total long-term debt	\$	<u>60,000</u>

## 6. LEASES

The Company has operating and finance leases for offices, manufacturing and warehouse facilities and computer equipment. The Company's leases have remaining lease terms of one year to ten years. Options to renew or extend leases beyond their initial term have been excluded from measurement of the ROU assets and lease liabilities for the majority of leases as exercise is not reasonably certain.

The weighted average remaining lease term and the discount rate for the reporting periods are as follows:

	September 30, 2021	December 31, 2020
<b>Operating Leases</b>		
Weighted average remaining lease term (years)	3.3	3.2
Weighted average discount rate	5.60 %	5.68 %
<b>Finance leases</b>		
Weighted average remaining lease term (years)	8.9	9.7
Weighted average discount rate	6.91 %	6.91 %

A letter of credit for \$1,250 was issued to the lessor of the Company's corporate headquarters building in October 2015, which is renewed annually and remains outstanding as of September 30, 2021.

The components of lease expense are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating lease cost	\$ 234	\$ 293	\$ 715	\$ 986
<b>Finance lease cost:</b>				
Amortization of right-of-use assets	267	260	765	786
Interest on lease liabilities	196	209	599	638
Total finance lease cost	<u>\$ 463</u>	<u>\$ 469</u>	<u>\$ 1,364</u>	<u>\$ 1,424</u>

Short term lease expense was not significant for the three and nine months ended September 30, 2021 and 2020.



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Supplemental cash flow information related to leases was as follows:

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 748	\$ 944
Operating cash flows from finance leases	597	638
Financing cash flows from finance leases	599	468
Right-of-use assets obtained in exchange for lease obligations:		
Operating Leases	1,221	1,691
Finance Leases	—	—
Early termination of operating lease	—	2,473

Supplemental balance sheet information related to leases was as follows:

	September 30, 2021	December 31, 2020
<b>Operating Leases</b>		
Operating lease right-of-use assets	\$ 2,465	\$ 1,914
Other current liabilities and current maturities of debt and leases	1,020	927
Operating lease liabilities	1,593	1,180
Total operating lease liabilities	<u>\$ 2,613</u>	<u>\$ 2,107</u>
<b>Finance Leases</b>		
Property and equipment, at cost	\$ 14,607	\$ 14,659
Accumulated depreciation	(5,862)	(5,247)
Property and equipment, net	<u>\$ 8,745</u>	<u>\$ 9,412</u>
Other current liabilities and current maturities of debt and leases	\$ 874	\$ 823
Finance lease liabilities	10,317	10,969
Total finance lease liabilities	<u>\$ 11,191</u>	<u>\$ 11,792</u>

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Maturities of lease liabilities as of September 30, 2021 were as follows:

	Operating Leases	Finance Leases
2021 (excluding the nine months ended September 30, 2021)	\$ 252	\$ 406
2022	967	1,629
2023	682	1,652
2024	609	1,674
2025	348	1,625
2026 and thereafter	—	8,172
Total payments	\$ 2,858	\$ 15,158
Less imputed interest	(245)	(3,967)
Total	\$ 2,613	\$ 11,191

## 7. COMMITMENTS AND CONTINGENCIES

**Royalty Agreements.** The Company has royalty agreements in place with terms that include payment of royalties of 3% to 5% of specified product sales. One royalty agreement remains in effect through 2025, while the other agreement remains in effect until the later of 2023 or expiration of the underlying patents or patent applications. Parties to the royalty agreements have the right at any time to terminate the agreement immediately for cause. Royalty expense of \$792 and \$699 was recorded for the three months ended September 30, 2021 and 2020 and \$2,356 and \$1,880 for the nine months ended September 30, 2021 and 2020.

**Purchase Agreements.** The Company enters into standard purchase agreements with vendors in the ordinary course of business, generally with terms that allow cancellation. The Company is committed to funding renovation of a recently purchased building for additional manufacturing capacity. The Company estimates the cost of the construction project to be approximately \$5,500.

**Legal.** The Company may, from time to time, become a party to legal proceedings. Such matters are subject to many uncertainties and to outcomes of which the financial impacts are not predictable with assurance and that may not be known for extended periods of time. A liability is established once management determines a loss is probable and an amount that can be reasonably estimated.

The Company received a Civil Investigative Demand (CID) from the U.S. Department of Justice (USDOJ) in December 2017 stating that it is investigating the Company to determine whether the Company has violated the False Claims Act, relating to the promotion of certain medical devices related to the treatment of atrial fibrillation for off-label use and submitted or caused to be submitted false claims to certain federal and state health care programs for medically unnecessary healthcare services related to the treatment of atrial fibrillation. The CID covers the period from January 2010 to December 2017 and required the production of documents and answers to written interrogatories. The Company had no knowledge of the investigation prior to receipt of the CID. The Company maintains rigorous policies and procedures to promote compliance with the False Claims Act and other applicable regulatory requirements. The Company provided the USDOJ with documents and answers to the written interrogatories. In March 2021, USDOJ informed the Company that its investigation was based on a lawsuit brought on behalf of the United States and the various state and local governments under the *qui tam* provisions of federal and certain state and local False Claims Acts. Although the USDOJ and all of the state and local governments declined to intervene, the relator continues to pursue the case. The Company is vigorously contesting the case, however, it is not possible to predict when this matter may be resolved or what impact, if any, the outcome of this matter might have on our consolidated financial position, results of operations, or cash flows.

The Company acquired nContact Surgical, Inc. pursuant to a merger agreement dated October 4, 2015. The merger agreement provided for contingent consideration or “earnout” to be paid upon attaining specified regulatory approvals and clinical and revenue milestones. The merger agreement’s earnout provisions required the Company to deliver periodic earnout reports to a designated representative of former nContact stockholders. In response to the reports delivered in and after February 2018, the Company received letters from representatives purporting to serve as “earnout objection statements” (as that term is defined in the merger agreement) and claim that for purposes of determining the commercial milestone payment, the

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Company should be including revenues of certain additional items and products that the Company has not included in its earnout statements. During February 2021, the Company entered into a settlement agreement with the former nContact stockholders requiring payment of \$6,000. The Company recorded the \$6,000 settlement as a component of current liabilities as of December 31, 2020 as the underlying cause occurred prior to December 31, 2020, and has made substantially all of the settlement payment as of September 30, 2021.

## **8. REVENUE**

Revenue is generated primarily from the sale of medical devices. The Company recognizes revenue in an amount that reflects the consideration the Company expects to be entitled to in exchange for those devices when control of promised devices is transferred to customers. At contract inception, the Company assesses the products promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a product that is distinct. The Company's devices are distinct and represent performance obligations. These performance obligations are satisfied, and revenue is recognized at a point in time upon shipment or delivery of products. Sales of devices are categorized as follows: open ablation, minimally invasive ablation, appendage management and valve tools. Shipping and handling activities performed after control over products transfers to customers are considered activities to fulfill the promise to transfer the products rather than as separate promises to customers.

Products are sold primarily through a direct sales force and through distributors in certain international markets. Terms of sale are generally consistent for both end-users and distributors except that payment terms are generally net 30 days for end-users and net 60 days for distributors, with some exceptions. The Company does not maintain any post-shipping obligations to customers. No installation, calibration or testing of products is performed by the Company subsequent to shipment in order to render products operational.

Significant judgments and estimates involved in the Company's recognition of revenue include the estimation of a provision for returns. The Company estimates the provision for sales returns and allowances using the expected value method based on historical experience and other factors that we believe could impact our expected returns, including defective or damaged products and invoice adjustments. In the normal course of business, the Company generally does not accept product returns unless a product is defective as manufactured. The Company does not provide customers with the right to a refund.

The Company expects to be entitled to the total consideration for the products ordered by customers as product pricing is fixed according to the terms of customer contracts and payment terms are short. Payment terms fall within the one-year guidance for the practical expedient which allows the Company to forgo adjustment of the promised amount of consideration for the effects of a significant financing component. The Company excludes taxes assessed by governmental authorities on revenue-producing transactions from the measurement of the transaction price.

Costs associated with product sales include commissions and royalties. Considering that product sales are performance obligations in contracts that are satisfied at a point in time, commission expense associated with product sales and royalties paid based on sales of certain products is incurred at that point in time rather than over time. Therefore, the Company applies the practical expedient and recognizes commissions and royalties as expense when incurred because the expense is incurred at a point in time and the amortization period is less than one year. Commissions are included in selling expense while royalties are included in cost of revenue.

See Note 11 for disaggregated revenue by geographic area and by product category.

## **9. INCOME TAX PROVISION**

The Company files federal, state, and foreign income tax returns in jurisdictions with varying statutes of limitations. The Company uses the asset and liability method to determine its provision for income taxes. The Company's provision for income taxes in interim periods is computed by applying the discrete method and is based on financial results through the end of the interim period. The Company determined that using the discrete method is more appropriate than using the annual effective tax rate method. The Company is unable to estimate the annual effective tax rate with sufficient precision to use the effective tax rate method, which requires a full-year projection of income. The effective tax rate for the three months ended September 30, 2021 and 2020 was 0.04% and 0.08%. The effective tax rate for the nine months ended September 30, 2021 and 2020 was 0.21% and (0.05%) The Company's worldwide effective tax rate differs from the US statutory rate of 21% primarily due to the Company's valuation allowance in the United States and Netherlands.

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Federal, state and local returns of the Company are routinely subject to review by various taxing authorities. The Company has not accrued any interest and penalties related to unrecognized income tax benefits as a result of offsetting of net operating losses. However, if required, the Company will recognize interest and penalties within income tax expense and within the related tax liability.

## **10. EQUITY COMPENSATION PLANS**

The Company has two share-based incentive plans: the 2014 Stock Incentive Plan (2014 Plan) and the 2018 Employee Stock Purchase Plan (ESPP).

### ***Stock Incentive Plan***

Under the 2014 Plan, the Board of Directors may grant incentive stock options to Company employees and may grant restricted stock awards or restricted stock units (collectively RSAs), nonstatutory stock options, performance share awards (PSAs) or stock appreciation rights to Company employees, directors and consultants. The Compensation Committee of the Board of Directors, as the administrator of the 2014 Plan, has the authority to determine the terms of any awards, including the number of shares subject to each award, the exercisability of the awards and the form of consideration. As of September 30, 2021, 12,899 shares of common stock had been reserved for issuance under the 2014 Plan, and 1,471 shares were available for future grants.

Stock options, restricted stock awards and restricted stock units granted generally vest at a rate of 33.3% on the first, second and third anniversaries of the grant date. Stock options generally expire ten years from the date of grant.

The award agreements for the PSAs provide that each PSA that vests represents the right to receive one share of the Company's common stock at the end of the performance period. With respect to the PSAs, the number of shares that vest and are issued to the recipient is based upon the Company's performance with respect to specified targets at the end of the three year performance period. Payout opportunities range from 0% to 100% of the target amount for awards granted prior to 2021, while awards granted in 2021 have payout opportunities ranging from 0% to 200% of the target amount. These ranges are used to calculate the number of shares that will be issuable when the award vests. All or a portion of the PSAs may vest following a change of control or a termination of service by reason of death or disability. PSAs granted prior to 2021 have performance targets based on the Company's revenue compound annual growth rate (CAGR) over the three year performance period. PSAs granted in 2021 have two equally weighted performance targets measured at the end of the three year performance period: (i) the Company's revenue CAGR; and (ii) relative total shareholder return (TSR). TSR is measured against the Nasdaq Health Care Index constituents and the 20-trading-day average stock price prior to the end of the performance period over the 20- trading-day average stock price prior to the beginning of the performance period. The performance and market condition payouts will be determined independently and accumulated to determine the total payout for the three year performance period, subject to the maximum payout defined in the PSA agreements.

### ***Employee Stock Purchase Plan***

Under the ESPP, shares of the Company's common stock may be purchased at a discount (15%) of the lesser of the closing price of the Company's common stock on the first trading day or the last trading day of the offering period. The offering period (currently six months) and the offering price are subject to change. Participants may not purchase a value of more than \$25 of the Company's common stock in a calendar year and may not purchase a value of more than 3 shares during an offering period. As of September 30, 2021, there were 338 shares available for future issuance under the ESPP.

**ATRICURE, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(In Thousands, except per share amounts)  
(Unaudited)

**Expense Information Under FASB ASC 718**

The following table summarizes the allocation of share-based compensation expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of revenue	\$ 622	\$ 366	\$ 1,639	\$ 1,004
Research and development expenses	1,077	859	3,097	2,531
Selling, general and administrative expenses	5,095	4,324	15,803	12,591
Total	<u>\$ 6,794</u>	<u>\$ 5,549</u>	<u>\$ 20,539</u>	<u>\$ 16,126</u>

**11. SEGMENT AND GEOGRAPHIC INFORMATION**

The Company develops, manufactures, and sells devices designed primarily for the surgical ablation of cardiac tissue, systems designed for the exclusion of the left atrial appendage, and devices designed to block pain by temporarily ablating peripheral nerves. These devices are developed and marketed to a broad base of medical centers globally. Management considers all such sales to be part of a single operating segment. Revenue attributed to customer geographic locations is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
United States	\$ 57,537	\$ 44,701	\$ 167,916	\$ 121,838
Europe	7,770	6,514	20,551	16,775
Asia	4,734	3,196	11,695	9,367
Other international	419	346	949	826
Total international	<u>12,923</u>	<u>10,056</u>	<u>33,195</u>	<u>26,968</u>
Total revenue	<u>\$ 70,460</u>	<u>\$ 54,757</u>	<u>\$ 201,111</u>	<u>\$ 148,806</u>

United States revenue by product type is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Open ablation	\$ 23,779	\$ 19,911	\$ 69,693	\$ 54,679
Minimally invasive ablation	9,990	6,979	28,077	18,295
Appendage management	23,401	17,430	69,144	47,870
Total ablation and appendage management	57,170	44,320	166,914	120,844
Valve tools	367	381	1,002	994
Total United States	<u>\$ 57,537</u>	<u>\$ 44,701</u>	<u>\$ 167,916</u>	<u>\$ 121,838</u>

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**(In Thousands, except per share amounts)**  
**(Unaudited)**

International revenue by product type is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Open ablation	\$ 6,699	\$ 4,907	\$ 16,629	\$ 13,766
Minimally invasive ablation	1,849	1,692	4,698	4,346
Appendage management	4,373	3,445	11,825	8,778
Total ablation and appendage management	12,921	10,044	33,152	26,890
Valve tools	2	12	43	78
Total international	\$ 12,923	\$ 10,056	\$ 33,195	\$ 26,968

The Company's long-lived assets are located primarily in the United States, except for \$1,415 as of September 30, 2021 and \$1,693 as of December 31, 2020 located primarily in Europe.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*(Dollar amounts referenced in this Item 2 are in thousands, except per share amounts.)*

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and notes thereto contained in Item 1 of Part I of this Form 10-Q and our audited financial statements and notes thereto as of and for the year ended December 31, 2020 included in our Form 10-K filed with the Securities and Exchange Commission (SEC) to provide an understanding of our results of operations, financial condition and cash flows.

### Forward-Looking Statements

This Form 10-Q, including the sections titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors,” contains forward-looking statements regarding our future performance. All forward-looking information is inherently uncertain and actual results may differ materially from assumptions, estimates or expectations reflected or contained in the forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this quarterly report on Form 10-Q, and in our annual report on Form 10-K for the year ended December 31, 2020. There may be additional risks of which we are not presently aware or that we currently believe are immaterial which could have an adverse impact on our business. Forward-looking statements address our expected future business, financial performance, financial condition and results of operations, and often contain words such as “intends,” “estimates,” “anticipates,” “hopes,” “projects,” “plans,” “expects,” “seek,” “believes,” “see,” “should,” “will,” “would,” “target,” and similar expressions and the negative versions thereof. Such statements are based only upon current expectations of AtriCure. Any forward-looking statement speaks only as of the date made. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to differ materially from those expressed or implied. Forward-looking statements include statements that address activities, events or developments that AtriCure expects, believes or anticipates will or may occur in the future. 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 including developments related to the COVID-19 pandemic, as discussed herein. With respect to the forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These forward-looking statements speak only as of the date of this Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise unless required by law.

### Overview

We are a leading innovator in treatments for atrial fibrillation (Afib) and left atrial appendage (LAA) management. Our ablation and left atrial appendage management (LAAM) products are used by physicians during both open-heart and minimally invasive procedures. In open-heart procedures, the physician is performing heart surgery for other conditions and our products are used in conjunction with (“concomitant” to) such a procedure. Minimally invasive procedures are performed on a standalone basis, and often include multi-disciplinary or “hybrid” approaches, combining both surgical procedures using AtriCure ablation and LAAM products and catheter ablation.

We have several product lines for the ablation of cardiac tissue, including our Isolator<sup>®</sup> Synergy<sup>™</sup> Ablation System approved by the United States Food and Drug Administration (FDA) for the treatment of persistent and long-standing persistent forms of Afib concomitant to other open-heart surgical procedures. The Epi-Sense<sup>®</sup> system is approved by FDA to treat patients with long-standing persistent Afib. All of our other ablation devices are approved for sale in the United States under FDA 510(k) clearances, including our other RF and cryoablation products, which are indicated for the ablation of cardiac tissue and/or treatment of cardiac arrhythmias. In addition, certain of our cryoablation probes are cleared for managing pain by temporarily ablating peripheral nerves. Our AtriClip<sup>®</sup> products are 510(k)-cleared with an indication for the exclusion of the heart’s LAA, performed under direct visualization and in conjunction with other cardiac surgical procedures. Direct visualization, in this context, requires that the surgeon is able to see the heart directly, with or without assistance from a camera, endoscope or other appropriate viewing technologies. The LARIAT<sup>®</sup> system is cleared for soft tissue ligation. Several of our products are currently being studied to expand labeling claims or support indications specifically for the treatment of Afib. Our Isolator Synergy clamps, Isolator Synergy pens, Coolrail<sup>®</sup> linear pen, cryoablation devices, certain products of the AtriClip LAA Exclusion System, COBRA Fusion<sup>®</sup> Ablation System, the Epi-Sense<sup>®</sup> Guided Coagulation System with VisiTrax<sup>®</sup> technology, and LARIAT Suture Delivery Device bear the CE mark and may be commercially distributed throughout the member states of the European Union and other countries that comply with or mirror the Medical Device Directive. Our Isolator Synergy clamps, Isolator Synergy pens, Coolrail linear pen, cryoablation devices and certain products of the AtriClip

LAA Exclusion System are available in select Asia-Pacific countries. We anticipate that substantially all of our revenue for the foreseeable future will relate to products we currently sell or are in the process of developing.

We sell our products to medical centers through our direct sales force in the United States and in certain international markets, such as Germany, France, the United Kingdom and the Benelux region. We also sell our products to distributors who in turn sell our products to medical centers in other international markets. Our business is transacted in U.S. Dollars with the exception of transactions with our European subsidiaries, which are transacted in the Euro or British Pounds.

## Recent Developments

Throughout 2020 and the beginning of the first quarter of 2021, we experienced a significant decrease in demand for our products as non-emergent procedures were being indeterminately deferred in order to preserve resources for COVID-19 patients and caregivers and to protect patients from potential exposure to COVID-19. While we have seen many regions begin to stabilize with improvements in procedure volumes, there continues to be variability throughout our markets and uncertainty as variants of the virus emerge. We can make no assurance regarding any future level of demand for our products, and COVID-19 may adversely impact our results of operations and financial condition.

We are continuing to serve our customers while taking every precaution to provide a safe work environment for our employees and customers. Field-based sales and clinical employees continue to support cases, using technology to engage with customers in virtual settings when physical access is prohibited. We are maintaining manufacturing and fulfillment operations to continue providing products to our customers. We continue to modify our remote working protocols and evaluate hybrid work models for our office-based employees, and we will take further actions in the best interests of our employees or as required by law.

Despite the challenging environment resulting from the pandemic, we continue to build on our strategic initiatives of product innovation, investing in clinical science and providing superior training and education. We remain confident in our liquidity position, which includes cash and investments of \$224,843 as of September 30, 2021, and access to additional funding through our credit facility.

**PRODUCT INNOVATION.** In July 2021, we received 510(k) clearance for the new ENCOMPASS® clamp, and we have initiated a limited product launch. The ENCOMPASS clamp marks innovation in our core open ablation market, and is expected to drive deeper penetration of cardiac surgery procedures.

**TRAINING.** Our professional education and marketing teams have adapted to the pandemic by conducting online and mobile trainings for physicians and our sales team. These adaptations expanded our training methods and ensured invaluable access to continuing education and awareness of our products and related procedures. The recent FDA approval of the EPi-Sense system has enabled us to educate and train physicians on the benefits of Hybrid AF™ therapy in treating long-standing persistent Afib patients. The first of several training courses planned for 2021 was held in June.

**CLINICAL SCIENCE.** We continue to invest in studies to expand labeling claims or support indications for the treatment of Afib, and we also conduct various studies to gather clinical data regarding our products. In April 2021, we announced the PMA approval of the EPi-Sense system for treatment of symptomatic, drug-refractory, long-standing persistent atrial fibrillation, when augmented with an endocardial ablation catheter. We believe the Convergent procedure, or Hybrid AF therapy, provides the only compelling treatment option for a large and vastly underpenetrated patient population. The CONVERGE™ trial demonstrated superiority in the hybrid therapy arm compared to endocardial catheter ablation alone. In patients diagnosed with long-standing persistent Afib, the hybrid therapy arm showed a 29% absolute difference in efficacy at 12 months (78% relative improvement) and an absolute difference of 35% at 18 months (110% relative improvement). There was also a 33% absolute difference in Afib burden reduction in favor of the hybrid AF therapy at 12 months, which increased to 37% at 18 months.

**aMAZE.** Enrollment was completed in December 2019. Patient follow-up for twelve months post pulmonary vein isolation catheter ablation is required by the study protocol and was completed in April 2021. In January 2020, we received approval for a Continued Access Protocol (CAP) for the aMAZE study. The aMAZE CAP provides for additional enrollment of up to 85 patients at existing aMAZE trial sites, with the opportunity to further expand to 250 patients while the PMA application is under review. In July 2021, the Company was informed that data from the aMAZE clinical trial did not achieve statistical superiority. Specifically, while the trial met the safety endpoint, the trial did not meet the primary efficacy endpoint. The Company has paused enrollment in the aMAZE CAP, and is in the process of further analyzing aMAZE trial data and determining next steps for the trial, PMA application and any related future development activities.



## Results of Operations

### Three months ended September 30, 2021 compared to three months ended September 30, 2020

The following table sets forth, for the periods indicated, our results of operations expressed as dollar amounts and as percentages of revenue:

	Three Months Ended September 30,			
	2021		2020	
	Amount	% of Revenues	Amount	% of Revenues
Revenue	\$ 70,460	100.0 %	\$ 54,757	100.0 %
Cost of revenue	18,234	25.9 %	14,423	26.3 %
Gross profit	52,226	74.1 %	40,334	73.7 %
Operating (benefit) expenses:				
Research and development expenses	11,284	16.0 %	10,576	19.3 %
Selling, general and administrative expenses	49,873	70.8 %	33,557	61.3 %
Change in fair value of contingent consideration	(189,900)	(269.5) %	192	0.4 %
Intangible asset impairment	82,300	116.8 %	—	0.0 %
Total operating (benefit) expenses	(46,443)	(65.9) %	44,325	80.9 %
Income (loss) from operations	98,669	140.0 %	(3,991)	(7.3) %
Other income (expense)	(1,523)	(2.2) %	(962)	(1.8) %
Income (loss) before income tax expense	97,146	137.9 %	(4,953)	(9.0) %
Income tax expense (benefit)	38	0.1 %	(4)	0.0 %
Net income (loss)	\$ 97,108	137.8 %	\$ (4,949)	(9.0) %

**Revenue.** Revenue increased 28.7% (28.6% on a constant currency basis) reflecting an upturn in activity within each franchise and across our key markets globally from an improvement in cardiac surgery procedure volumes over 2020 as well as increasing adoption of our products. Revenue from customers in the United States increased \$12,836, or 28.7% while revenue from international customers increased \$2,867 or 28.5% (27.9% on a constant currency basis). In the United States, open ablation sales increased \$3,868 (19.4%) primarily from growth in Cryo Nerve Block therapy. Minimally invasive (MIS) ablation sales increased \$3,011 (43.1%) driven by Hybrid AF therapy procedure growth from the PMA approval of the EPi-Sense system in late April 2021. Appendage management sales rose \$5,971 (34.3%) as a result of continued volume growth of the AtriClip® Flex-V® and AtriClip Pro-V™ devices and other appendage management product lines. Similar to the results in the United States, international revenue increased in most major markets and across product lines.

Revenue reported on a constant currency basis is a non-GAAP measure and is calculated by applying previous period foreign currency (Euro) exchange rates, which are determined by the average daily Euro to Dollar exchange rate, to each of the comparable periods. Revenue is analyzed on a constant currency basis to better measure the comparability of results between periods. Because changes in foreign currency exchange rates have a non-operating impact on revenue, we believe that evaluating revenue growth on a constant currency basis provides additional and meaningful assessment of revenue to both management and our investors.

**Cost of revenue and gross margin.** Cost of revenue increased \$3,811 reflecting revenue growth, while gross margin improved approximately 40 basis points. The improvement in gross margin reflects favorable product mix, largely offset by inventory management charges related to the Lariat system and unfavorable geographic mix.

**Research and development expenses.** Research and development expenses increased \$708 or 6.7% as a result of a \$1,571 rise in personnel costs due to an increase in headcount and variable compensation. This increase in research and development expense was offset by a \$1,377 decrease in product development project costs.

**Selling, general and administrative expenses.** Selling, general and administrative expenses increased \$16,316 or 48.6% as a result of a \$10,678 increase in personnel costs, primarily driven by increases in headcount, variable compensation and travel. Other increases in selling, general and administrative expenses included \$1,008 additional training costs and \$1,127 of incremental tradeshow and marketing activities, as well as legal, professional and consulting fees of \$1,645 and share-based

compensation of \$772. The remaining fluctuation in selling, general and administrative expenses relates to other corporate costs, such as IT software and payment processing fees.

**Change in fair value of contingent consideration.** The credit to operating expenses during the three months ended September 30, 2021 reflects a change in the forecasted timing and probability of achievement of the regulatory and reimbursement milestones related to the aMAZE clinical trial. See Note 2 of the condensed consolidated financial statements for further discussion.

**Impairment of intangible assets.** During the three months ended September 30, 2021, the Company recorded an impairment charge for the IPR&D asset associated with the aMAZE PMA. See Note 3 of the condensed consolidated financial statements for further discussion.

**Other income (expense).** Other income and expense consists primarily of net interest expense and foreign currency transaction gains and losses. Net interest expense increased \$346 driven by lower interest income from a decline in investment yields.

#### ***Nine months ended September 30, 2021 compared to nine months ended September 30, 2020***

The following table sets forth, for the periods indicated, our results of operations expressed as dollar amounts and as percentages of revenue:

	Nine Months Ended September 30,			
	2021		2020	
	Amount	% of Revenues	Amount	% of Revenues
Revenue	\$ 201,111	100.0 %	\$ 148,806	100.0 %
Cost of revenue	50,267	25.0 %	41,934	28.2 %
Gross profit	150,844	75.0 %	106,872	71.8 %
Operating (benefit) expenses:				
Research and development expenses	34,698	17.3 %	32,199	21.6 %
Selling, general and administrative expenses	150,939	75.1 %	106,257	71.4 %
Change in fair value of contingent consideration	(184,800)	(91.9) %	(4,854)	(3.3) %
Intangible asset impairment	82,300	40.9 %	—	0.0 %
Total operating (benefit) expenses	83,137	41.3 %	133,602	89.8 %
Income (loss) from operations	67,707	33.7 %	(26,730)	(18.0) %
Other income (expense):	(3,632)	(1.8) %	(2,847)	(1.9) %
Income (loss) before income tax expense	64,075	31.9 %	(29,577)	(19.9) %
Income tax expense	135	0.1 %	16	0.0 %
Net income (loss )	\$ 63,940	31.8 %	\$ (29,593)	(19.9) %

**Revenue.** Revenue increased 35.1% (34.4% on a constant currency basis). Revenue from customers in the United States increased \$46,078, or 37.8%, while revenue from international customers increased \$6,227, or 23.1% (19.0% on a constant currency basis). Sales in the United States grew across all product lines with MIS ablation sales increasing \$9,782 (53.5%), appendage management sales increasing \$21,274 (44.4%), and open ablation sales increasing \$15,014 (27.5%). International sales rose across all major franchises driven primarily by Germany and Asian markets.

**Cost of revenue and gross margin.** Cost of revenue increased \$8,333, reflecting higher sales volumes, while gross margin increased more than 300 basis points. The overall increase in gross margin was driven largely by a return to normal production activity in 2021, leverage from higher revenue, and favorable geographic and product mix.

**Research and development expenses.** Research and development expenses increased \$2,499 or 7.8%. Personnel costs grew \$3,979 driven by additional variable compensation and headcount as we continue to build our product development, regulatory, and clinical teams. This increase is offset by a \$1,428 decrease in product development project costs.

**Selling, general and administrative expenses.** Selling, general and administrative expenses increased \$44,682, or 42.1%. Additional headcount, variable compensation, and travel expenses totaling \$32,646 was the largest driver of the increase in expenses. In addition, as quarantine and travel restrictions have lifted from 2020, there has been an increase in live events. As a result, training expenses increased \$3,975, while tradeshow and marketing activities increased \$1,189 as compared to the prior year. Other changes included a \$3,212 increase in share-based compensation and a \$2,605 increase in legal, professional and consulting expenses.

**Change in fair value of contingent consideration.** The credit to operating expenses during the nine months ended September 30, 2021 reflects a change in the forecasted timing and probability of achievement of the regulatory and reimbursement milestones related to the aMAZE clinical trial. See Note 2 of the condensed consolidated financial statements for further discussion.

**Impairment of intangible assets.** During the nine months ended September 30, 2021, the Company recorded an impairment charge for the IPR&D asset associated with the aMAZE PMA. See Note 3 of the condensed consolidated financial statements for further discussion.

**Other income (expense).** Other income and expense consists primarily of net interest expense and foreign currency transaction gains and losses. Net interest expense increased \$704 driven by lower interest income from a decline in investment yields.

## Liquidity and Capital Resources

As of September 30, 2021, the Company had cash, cash equivalents and investments of \$224,843 and outstanding debt of \$58,333. We had unused borrowing capacity of approximately \$10,000 under our revolving credit facility. Most of our operating cash and all cash equivalents and investments are held by United States financial institutions. We had net working capital of \$141,753 and an accumulated deficit of \$266,412 as of September 30, 2021.

**Cash flows used in operating activities.** We used \$14,081 of net cash in operating activities during the nine months ended September 30, 2021. The net cash outflow from operating activities reflects our net income of \$63,940, offset by \$70,914 of non-cash adjustments, as well as \$7,107 net cash used for operating assets and liabilities. Non-cash adjustments reflect the impact of the aMAZE trial results contributing to a \$184,800 change in value of the contingent consideration liability, offset by an \$82,300 impairment charge on the aMAZE IPR&D asset. Other non-cash expenses included \$20,539 share-based compensation, as well as \$7,608 of depreciation and amortization. Net cash used for operating assets and liabilities was driven by higher customer receivables in the first nine months of 2021 due to the increase in revenue and continued investment in inventories, offset by increases to both accounts payable and accrued liabilities balances, reflecting the increase in inventories, operating expenses and variable compensation as of September 30, 2021.

**Cash flows provided by investing activities.** We generated \$22,427 of net cash from investing activities during the nine months ended September 30, 2021, reflecting \$29,470 of net sales and maturities of available-for-sale securities, partially offset by \$7,043 of purchases of property and equipment.

**Cash flows used in financing activities.** We used \$10,149 of net cash in financing activities during the nine months ended September 30, 2021. Activity included \$17,900 for shares repurchased for payment of taxes on stock awards and \$2,269 repayment of debt and lease obligations, partially offset by \$10,020 of proceeds from stock option exercises and ESPP purchases.

**Credit facility.** Our Loan and Security Agreement with Silicon Valley Bank (SVB), as amended, (Loan Agreement), provides for a \$60,000 term loan and a \$20,000 revolving line of credit. The term loan and revolving credit facility both mature or expire, as applicable, on August 1, 2024. The term loan accrues interest at the greater of the Prime Rate or 5.00%, plus 0.75% and is subject to an additional 3.00% fee on the \$60,000 term loan principal amount, payable at maturity or upon acceleration or prepayment of the term loan. Our borrowing availability under the revolving credit facility is based on the lesser of \$20,000 or a borrowing base calculation as defined by the Loan Agreement. Borrowing availability under the revolving credit facility is further limited by a cap on total debt outstanding under the Loan Agreement, including outstanding letters of credit, of \$70,000. As of September 30, 2021 we had no borrowings under the revolving credit facility, and we had borrowing availability approximately of \$10,000. The Loan Agreement also provides for certain prepayment and early termination fees if the term loan is repaid before maturity and establishes a minimum liquidity ratio and dividend restrictions, along with other customary terms and conditions. Specified assets have been pledged as collateral. Principal payments on the term loan commenced September 1, 2021 and were made through October 2021.

Effective November 1, 2021, the Company and SVB entered into the Sixth Amendment to the Loan and Security Agreement (Amended Loan and Security Agreement). This amendment provides for a \$60,000 term loan, with an option to make available an additional \$30,000 in term loan borrowings, and a \$30,000 revolving line of credit. The Amended Loan and Security Agreement has a five year term, expiring November 2026. Principal payments are to be made ratably commencing 24 months after the inception of the loan through the loan's maturity date. At the option of the Company, the commencement of term loan principal payments may be extended an additional twelve months. The term loan accrues interest at the Prime Rate plus 1.25% and is subject to an additional 3.00% fee on the term loan principal amount at maturity. The revolving line of credit is subject to an annual facility fee of 0.20% of the revolving line of credit fully earned at close, and any borrowings bear interest at the floating Prime Rate. The Amended Loan and Security Agreement also provides for certain prepayment and early termination fees, as well as establishes a liquidity covenant, along with other customary terms and conditions similar to those in the Company's current agreement with SVB. This refinancing has been treated as a debt modification, with the \$1,667 principal repayment made in October 2021 classified as current, while the remaining borrowings of \$56,666 have been classified as long-term in the Condensed Consolidated Balance Sheet as of September 30, 2021.

Our corporate headquarters lease agreement requires a \$1,250 letter of credit which renews annually and remains outstanding as of September 30, 2021.

**Uses of liquidity and capital resources.** Our future capital requirements depend on a number of factors, including market acceptance of our current and future products; the resources we devote to developing and supporting our products, including professional training costs; future expenses to support and expand our sales and marketing efforts; costs relating to changes in regulatory policies or laws that affect our operations and cost of filings; costs associated with clinical trials and securing regulatory approval for new products; costs associated with acquiring and integrating businesses; costs associated with prosecuting, defending and enforcing our intellectual property rights; and possible acquisitions and joint ventures. We continue to evaluate additional measures to maintain financial flexibility, and we will continue to closely monitor our liquidity and capital resources through recovery from, and any further disruptions caused by, COVID-19.

We have on file with the SEC a shelf registration statement which allows us to sell any combination of senior or subordinated debt securities, common stock, preferred stock, warrants, depository shares and units in one or more offerings should we choose to do so in the future. We expect to maintain the effectiveness of this shelf registration statement for the foreseeable future.

We believe that our current cash, cash equivalents and investments, along with the cash we expect to generate or use for operations or access via our credit facility agreement with SVB, will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next twelve months. The SentreHEART acquisition provides for contingent consideration to be paid upon PMA approval before December 2023 and CPT reimbursement before December 2026. Subject to the terms and conditions of the SentreHEART merger agreement, such contingent consideration must be paid primarily in AtriCure common stock, up to a specified maximum number of shares. We do not expect our cash requirements to include significant cash payments for contingent consideration based on likelihood and progress towards achievement of the related success-based milestones and terms of the acquisition agreement over the next twelve months.

If our sources of cash are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or debt securities or obtain a revised or additional credit facility. The sale of additional equity or convertible debt securities could result in dilution to our stockholders. If additional funds are raised through the issuance of debt securities, these securities could have rights senior to those associated with our common stock and could contain covenants that would restrict our operations. Finally, our term loan agreement and revolving line of credit require compliance with certain financial and other covenants. If we are unable to maintain these financing arrangements, we may be required to reduce the scope of our planned research and development, clinical activities and selling, training, education and marketing efforts.

### **Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenue and expenses and disclosures of contingent assets and liabilities at the date of the financial statements. On a periodic basis, we evaluate our estimates, including those related to sales returns and allowances, accounts receivable, inventories, intangible assets including goodwill, contingent liabilities and share-based compensation. We use authoritative pronouncements, historical experience and other assumptions as the basis for making estimates. Actual results could differ from those estimates under different assumptions or conditions. Our Annual Report on Form 10-K for the fiscal

year ended December 31, 2020 includes additional information about the Company, our operations, our financial position and our critical accounting policies and estimates and should be read in conjunction with this Quarterly Report on Form 10-Q.

#### **Recent Accounting Pronouncements**

As of September 30, 2021, there were no material changes to the information provided in Note 2, “Recent Accounting Pronouncements” in the Company’s Form 10-K for the fiscal year ended December 31, 2020.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

As of September 30, 2021 there were no material changes to the information provided under Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” in the Company’s Form 10-K for the year ended December 31, 2020.

#### **Item 4. Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

The Company’s management, with the participation of the President and Chief Executive Officer (the Principal Executive Officer) and Chief Financial Officer (the Principal Accounting and Financial Officer), has evaluated the effectiveness of the Company’s disclosure controls and procedures, as defined in Rules 13(a)-15(e) and 15(d) -15(e) of the Securities Exchange Act of 1934 as amended (Exchange Act), as of the end of the period covered by this report. Based on this evaluation, we concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s forms and rules, and the material information relating to the Company is accumulated and communicated to management, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that control objectives are met. Because of inherent limitations in all control systems, no evaluation of controls can provide assurance that all control issues and instances of fraud, if any, within a company will be detected. Additionally, controls can be circumvented by individuals, by collusion of two or more people or by management override. Over time, controls can become inadequate because of changes in conditions or the degree of compliance may deteriorate. Further, the design of any system of controls is based in part upon assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all future conditions. Because of the inherent limitations in any cost-effective control system, misstatements due to errors or fraud may occur and not be detected.

##### **Changes in Internal Control Over Financial Reporting**

In the ordinary course of business, we routinely enhance our information systems by either upgrading current systems or implementing new ones. There were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Information with respect to legal proceedings can be found under the heading “Legal” in Note 7 – Commitments and Contingencies to the Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, and is incorporated herein by reference.

### **Item 1A. Risk Factors**

In addition to the other information set forth in this report, careful consideration should be given to the factors discussed in Item 1A, “Risk Factors” in our Form 10-K for the year ended December 31, 2020, as amended by our Form 10-Q for the quarter ended June 30, 2021, all of which could materially affect our business, financial condition or future results. The risks described therein are not the only risks facing us. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, also may adversely affect our business, financial condition and/or operating results. There have been no material changes with respect to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020, as amended by risk factors provided in our Form 10-Q for the quarter ended June 30, 2021 which are incorporated herein by reference.

### **Item 5. Other Information**

Effective November 1, 2021, the Company and SVB entered into the Sixth Amendment to the Loan and Security Agreement (Amended Loan and Security Agreement). This amendment provides for a \$60,000 term loan, with an option to make available an additional \$30,000 in term loan borrowings, and a \$30,000 revolving line of credit. The Amended Loan and Security Agreement has a five year term, expiring November 2026. Principal payments are to be made ratably commencing 24 months after the inception of the loan through the loan's maturity date. At the option of the Company, the commencement of term loan principal payments may be extended an additional twelve months. The term loan accrues interest at Prime Rate plus 1.25% and is subject to an additional 3.00% fee on the term loan principal amount at maturity. The revolving line of credit is subject to an annual facility fee of 0.20% of the revolving line of credit fully earned at close, and any borrowings bear interest at the floating Prime Rate. The Amended Loan and Security Agreement also provides for certain prepayment and early termination fees, as well as establishes a liquidity covenant, along with other customary terms and conditions similar to those in the Company's current agreement with SVB.

The foregoing description of the Amended Loan and Security Agreement does not purport to be complete. The Amended Loan and Security Agreement is attached to this report as Exhibit 10.2 and is incorporated by reference into this Item 5 in its entirety.

**Item 6. Exhibits**

<b>Exhibit No.</b>	<b>Description</b>
10.1#	<a href="#">AtriCure, Inc. 2018 Employee Stock Purchase Plan (Amended and Restated effective January 1, 2022)</a>
10.2	<a href="#">Sixth Amendment to Loan and Security Agreement dated November 1, 2021 among AtriCure, Inc. and Silicon Valley Bank and the other parties named therein.</a>
31.1	<a href="#">Rule 13a-14(a) Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Rule 13a-14(a) Certification of Principal Accounting and Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	<a href="#">Certification pursuant to 18 U.S.C. Section 1350 by the Principal Executive Officer, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2	<a href="#">Certification pursuant to 18 U.S.C. Section 1350 by the Principal Accounting and Financial Officer, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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# Compensatory plan or arrangement.

**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.  
(REGISTRANT)

Date: November 4, 2021

/s/ Michael H. Carrel

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**Michael H. Carrel**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

Date: November 4, 2021

/s/ Angela L. Wirick

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**Angela L. Wirick**  
**Chief Financial Officer**  
**(Principal Accounting and Financial Officer)**



**ATRICURE, INC.**  
**2018 EMPLOYEE STOCK PURCHASE PLAN**

**AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2022**

1. Purpose. The purposes of the Plan are as follows:

(a) To assist employees of the Company and its Participating Subsidiaries (as defined below) with the opportunity to acquire stock ownership interest in the Company. The Plan is intended to qualify as an “employee stock purchase plan” within the meaning of Section 423(b) of the Internal Revenue Code of 1986, as amended, and the Plan will be administered and interpreted in accordance with that intent;

(b) To help employees provide for their future security and to encourage them to remain in the employment of the Company; and

(c) To help align the interests of our employees with those of the Company’s shareholders.

2. Definitions.

“**Board or Board of Directors**” means the Board of Directors of the Company, as constituted from time to time.

“**Change in Control**” means the occurrence of any of the following events:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act becomes the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company’s then outstanding voting securities; or

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company’s assets; or

(iii) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its Parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

“**Code**” means the U.S. Internal Revenue Code of 1986, as it may be amended from time to time. Any reference to a section of the Code shall be deemed to include a reference to any regulations promulgated thereunder.

“**Committee**” means the committee appointed by the Board to administer the Plan.

**“Common Stock”** means the common stock of the Company, par value \$0.001 per share. “Common Stock” shall also include (i) the common stock of the surviving corporation in any consolidation, merger or reincorporation effected exclusively to change the domicile of the Company and (ii) such other securities of the Company that may be substituted for Common Stock pursuant to Section 18 hereof.

**“Company”** means AtriCure, Inc., a Delaware corporation, or any successor corporation (including, without limitation, the surviving corporation in any consolidation, merger or reincorporation effected exclusively to change the domicile of the Company).

**“Compensation”** means all base straight time gross earnings, non-worked paid hours (PTO, VTO, Holiday, Bereavement, Jury, Excused Paid Time Off, and Parental Leave), annual bonuses as may be elected by an Eligible Employee, and commissions, exclusive of payments for overtime, shift premium, fringe benefits and other compensation paid to an Eligible Employee by the Company or a Participating Subsidiary as compensation for services to the Company or Participating Subsidiary, before deduction for any salary deferral contributions made by the Eligible Employee to any tax-qualified or nonqualified deferred compensation plan.

**“Designated Broker”** means the financial services firm or other agent designated by the Company to maintain ESPP Share Accounts on behalf of Participants who have purchased shares of Common Stock under the Plan.

**“Effective Date”** means the date as of which this Plan is adopted by the Board, subject to the Plan obtaining shareholder approval in accordance with Section 19.11 hereof.

**“Employee”** means any person who renders services to the Company or a Participating Subsidiary as an employee pursuant to an employment relationship with such employer. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on military leave, sick leave or other leave of absence approved by the Company or a Participating Subsidiary that meets the requirements of Treasury Regulation Section 1.421-1(h)(2). Where the period of leave exceeds three (3) months, or such other period of time specified in Treasury Regulation Section 1.421-1(h)(2), and the individual’s right to re-employment is not guaranteed by statute or contract, the employment relationship shall be deemed to have terminated on the first day immediately following such three-month period, or such other period specified in Treasury Regulation Section 1.421-1(h)(2).

**“Eligible Employee”** means an Employee of the Company:

- (i) who does not, immediately after the option is granted, own stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company, a Parent or a Subsidiary (as determined under Section 423(b)(3) of the Code);
- (ii) whose customary employment is for more than twenty (20) hours per week; and

(iii) whose customary employment is for more than five (5) months in any calendar year.

For purposes of clause (i), the rules of Section 424(d) of the Code with regard to the attribution of stock ownership shall apply in determining the stock ownership of an individual, and stock which an employee may purchase under outstanding options shall be treated as stock owned by the employee.

Notwithstanding the foregoing, the Committee may exclude from participation in the Plan any Employee who is a “highly compensated employee” of the Company or a Participating Subsidiary (within the meaning of Section 414(q) of the Code) or a sub-set of such highly compensated employees.

“**Enrollment Form**” means an agreement pursuant to which an Eligible Employee may elect to enroll in the Plan, to authorize a new level of payroll deductions, or to stop payroll deductions and withdraw from an Offering Period.

“**ESPP Share Account**” means an account into which Common Stock purchased with accumulated payroll deductions at the end of an Offering Period are held on behalf of a Participant.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Fair Market Value**” means as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, its Fair Market Value shall be the closing sales price for a share of Common Stock as reported in *The Wall Street Journal* (or such other source as the Committee may deem reliable for such purposes) for such date, or if no sale occurred on such date, the closing sales price on the first trading date immediately prior to such date during which a sale occurred;

(ii) If the Common Stock is not traded on any established stock exchange or a national market system but is quoted on a quotation system, its Fair Market Value shall be the mean between the closing representative bid and asked prices for the Common Stock on such date, or if no sale occurred on such date, the first date immediately prior to such date on which sales prices or bid and asked prices, as applicable, are reported by such quotation system; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Committee.

“**Offering Date**” means the first Trading Day of each Offering Period as designated by the Committee.

“**Offering or Offering Period**” means each period of approximately six (6) months commencing on any January 1 and July 1 and terminating on the last Trading Day on or before

the next occurring June 30 or December 31, as applicable, except for the first Offering Period under the Plan, which shall commence on the Effective Date and end on December 31, 2018. The duration and timing of Offering Periods may be changed pursuant to Section 4 of this Plan, but in no event may an Offering Period have a duration in excess of twenty-seven (27) months.

**“Parent”** means any corporation, other than the Company, in an unbroken chain of corporations ending with the Company if, at the time of the determination, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

**“Participant”** means an Eligible Employee who is actively participating in the Plan.

**“Participating Subsidiaries”** means the Subsidiaries that have been designated as eligible to participate in the Plan, and such other Subsidiaries that may be designated by the Committee from time to time in its sole discretion. The Committee may designate, or terminate the designation of, a subsidiary as a Participating Subsidiary without the approval of the shareholders of the Company.

**“Plan”** means this AtriCure, Inc. 2018 Employee Stock Purchase Plan, as set forth herein, and as amended from time to time.

**“Purchase Date”** means the last Trading Day of each Offering Period.

**“Purchase Price”** means 85% of the Fair Market Value of a share of Common Stock on the Offering Date or on the Purchase Date, whichever is lower; provided, however that (i) if the Committee so designates, the Committee may set from time to time for future Offering Periods a higher percentage of Fair Market Value of a share of Common Stock or a higher dollar amount as the Purchase Price or instead provide that the Purchase Price will be calculated based only on a percentage of the Fair Market Value of a share of Common Stock on the Purchase Date that is equal to or more than 85%; (ii) the Purchase Price may be adjusted by the Committee pursuant to Section 18 hereof; and (iii) the Purchase Price shall in no event be less than the par value of a share of Common Stock.

**“Securities Act”** means the Securities Act of 1933, as amended.

**“Subsidiary”** means any corporation, domestic or foreign, of which not less than 50% of the combined voting power is held by the Company or a Subsidiary, whether or not such corporation exists now or is hereafter organized or acquired by the Company or a Subsidiary. In all cases, the determination of whether an entity is a Subsidiary shall be made in accordance with Section 424(f) of the Code.

**“Trading Day”** means any day on which the national stock exchange upon which the Common Stock is listed is open for trading or, if the Common Stock is not listed on an established stock exchange or national market system, a business day, as determined by the Committee in good faith.

3. Administration.

3.1 The Plan shall be administered by the Committee which shall have the authority to construe and interpret the Plan, prescribe, amend and rescind rules relating to the Plan's administration and take any other actions necessary or desirable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency or ambiguity in the Plan. The decisions of the Committee shall be final and binding on all persons. All expenses of administering the Plan shall be paid by the Company.

3.2 The Committee at its option may utilize the services of an agent to assist in the administration of the Plan including establishing and maintaining an individual securities account under the Plan for each Participant. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan.

3.3 All expenses and liabilities incurred by the Committee in connection with the administration of the Plan shall be borne by the Company. The Committee may, with the approval of the Board, employ attorneys, consultants, accountants, appraisers, brokers or other persons. The Committee, the Company and its officers and directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all Participants, the Company and all other interested persons. No member of the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the options, and all members of the Board shall be fully protected by the Company in respect to any such action, determination, or interpretation.

4. Eligibility. Unless otherwise determined by the Committee in a manner that is consistent with Section 423 of the Code, any individual who is an Eligible Employee as designated by the Committee for a particular Offering Period shall be eligible to participate in such Offering Period, subject to the requirements of Section 423 of the Code. Notwithstanding any provision of the Plan to the contrary, no Eligible Employee shall be granted an option under the Plan if such option would permit his or her rights to purchase stock under all employee stock purchase plans (described in Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate that exceeds \$25,000 of the Fair Market Value of such stock (determined at the time the option is granted) for each calendar year in which such option is outstanding at any time.

5. Offering Periods. The Plan shall be implemented by a series of consecutive Offering Periods, each of which shall be six (6) months in duration, with new Offering Periods commencing on or about January 1 and July 1 of each year (or such other times as determined by the Committee). The Committee shall have the authority to change the duration, frequency, start and end dates of Offering Periods.

6. Participation.

6.1 Enrollment; Payroll Deductions. An Eligible Employee may elect to participate in the Plan by properly completing an Enrollment Form, which may be electronic, and

submitting it to the Company, in accordance with the enrollment procedures established by the Committee. Participation in the Plan is entirely voluntary. By submitting an Enrollment Form, the Eligible Employee authorizes payroll deductions from his or her pay check in an amount equal to at least 1%, but not more than 10% of his or her Compensation on each pay day occurring during an Offering Period (or such other maximum percentage as the Committee may establish from time to time before an Offering Period begins). Payroll deductions shall commence on the first payroll date following the Offering Date and end on the last payroll date on or before the Purchase Date. The Company shall maintain records of all payroll deductions but shall have no obligation to pay interest on payroll deductions or to hold such amounts in a trust or in any segregated account. Unless expressly permitted by the Committee, a Participant may not make any separate contributions or payments to the Plan.

6.2 Election Changes. During an Offering Period, a Participant may decrease or increase his or her rate of payroll deductions applicable to such Offering Period. The Committee may limit the number of election changes made by a Participant in an Offering Period. To make such a change, the Participant must submit a new Enrollment Form authorizing the new rate of payroll deductions at least five (5) business days before the Purchase Date.

6.3 Automatic Re-enrollment. The deduction rate selected in the Enrollment Form shall remain in effect for subsequent Offering Periods unless the Participant (a) submits a new Enrollment Form authorizing a new level of payroll deductions in accordance with Section 6, (b) withdraws from the Plan in accordance with Section 10, or (c) terminates employment or otherwise becomes ineligible to participate in the Plan.

7. Grant of Option. On each Offering Date, each Participant in the applicable Offering Period shall be granted an option to purchase, on the Purchase Date, a number of shares of Common Stock determined by dividing the Participant's accumulated payroll deductions by the applicable Purchase Price; provided, however, that in no event shall any Participant purchase more than 2,500 shares of Common Stock during an Offering Period (subject to adjustment in accordance with Section 18 and the limitations set forth in Section 13 of the Plan).

8. Exercise of Option/Purchase of Shares. A Participant's option to purchase shares of Common Stock will be exercised automatically on the Purchase Date of each Offering Period. The Participant's accumulated payroll deductions will be used to purchase the maximum number of whole shares that can be purchased with the amounts in the Participant's notional account. No fractional shares may be purchased but notional fractional shares of Common Stock will be allocated to the Participant's ESPP Share Account to be aggregated with other notional fractional shares of Common Stock on future Purchase Dates, subject to earlier withdrawal by the Participant in accordance with Section 10 or termination of employment in accordance with Section 11.

9. Transfer of Shares. As soon as reasonably practicable after each Purchase Date, the Company will arrange for the delivery to each Participant of the shares of Common Stock purchased upon exercise of his or her option. The Committee may permit or require that the shares be deposited directly into an ESPP Share Account established in the name of the Participant with a Designated Broker and may require that the shares of Common Stock be

retained with such Designated Broker for a specified period of time. Participants will not have any voting, dividend or other rights of a shareholder with respect to the shares of Common Stock subject to any option granted hereunder until such shares have been delivered pursuant to this Section 9.

10. Withdrawal.

10.1 Withdrawal Procedure. A Participant may withdraw from an Offering by submitting to the Company a revised Enrollment Form indicating his or her election to withdraw at least five (5) days before the Purchase Date. The accumulated payroll deductions held on behalf of a Participant in his or her notional account (that have not been used to purchase shares of Common Stock) shall be paid to the Participant promptly following receipt of the Participant's Enrollment Form indicating his or her election to withdraw and the Participant's option shall be automatically terminated. If a Participant withdraws from an Offering Period, no payroll deductions will be made during any succeeding Offering Period, unless the Participant re-enrolls in accordance with Section 6 of the Plan.

10.2 Effect on Succeeding Offering Periods. A Participant's election to withdraw from an Offering Period will not have any effect upon his or her eligibility to participate in succeeding Offering Periods that commence following the completion of the Offering Period from which the Participant withdraws.

11. Termination of Employment; Change in Employment Status. Upon termination of a Participant's employment for any reason, including death, disability or retirement, or a change in the Participant's employment status following which the Participant is no longer an Eligible Employee, which in either case occurs before the Purchase Date, the Participant will be deemed to have withdrawn from the Plan and the payroll deductions in the Participant's notional account (that have not been used to purchase shares of Common Stock) shall be returned to the Participant, or in the case of the Participant's death, to the person(s) entitled to such amounts under Section 17, and the Participant's option shall be automatically terminated

12. Interest. No interest shall accrue on or be payable with respect to the payroll deductions of a Participant in the Plan.

13. Shares Reserved for Plan.

13.1 Number of Shares. The maximum number of shares of Common Stock reserved as authorized for the grant of options under the Plan is 500,000 shares. If any right granted under the Plan shall for any reason terminate without having been exercised, the Common Stock not purchased under such right shall again become available for issuance under the Plan. In addition, any unused shares reserved under the AtriCure, Inc. 2008 Employee Stock Purchase Plan shall become available for issuance under this Plan and if any right granted under the AtriCure, Inc. 2008 Employee Stock Purchase Plan shall for any reason terminate without having been exercised, the Common Stock not purchased under such right shall become available for issuance under this Plan. The shares of Common Stock may be newly issued shares, treasury shares or shares acquired on the open market.

13.2 Over-subscribed Offerings. The number of shares of Common Stock which a Participant may purchase in an Offering under the Plan may be reduced if the Offering is over-subscribed. No option granted under the Plan shall permit a Participant to purchase shares of Common Stock which, if added together with the total number of shares of Common Stock purchased by all other Participants in such Offering would exceed the total number of shares of Common Stock remaining available under the Plan. If the Committee determines that, on a particular Purchase Date, the number of shares of Common Stock with respect to which options are to be exercised exceeds the number of shares of Common Stock then available under the Plan, the Company shall make a pro rata allocation of the shares of Common Stock remaining available for purchase in as uniform a manner as practicable and as the Committee determines to be equitable.

14. Transferability. No payroll deductions credited to a Participant, nor any rights with respect to the exercise of an option or any rights to receive Common Stock hereunder may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 17 hereof) by the Participant. Any attempt to assign, transfer, pledge or otherwise dispose of such rights or amounts shall be without effect.

15. Application of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose to the extent permitted by applicable law, and the Company shall not be required to segregate such payroll deductions or contributions.

16. Statements. Participants will be provided with statements at least annually which shall set forth the contributions made by the Participant to the Plan, the Purchase Price of any shares of Common Stock purchased with accumulated funds, the number of shares of Common Stock purchased, and any payroll deduction amounts remaining in the Participant's notional account.

17. Designation of Beneficiary.

17.1 A Participant may file, on forms supplied by the Committee, a written designation of beneficiary who is to receive any shares of Common Stock and cash in respect of any fractional shares of Common Stock, if any, from the Participant's ESPP Share Account under the Plan in the event of such Participant's death. In addition, a Participant may file a written designation of beneficiary who is to receive any cash withheld through payroll deductions and credited to the Participant's notional account in the event of the Participant's death prior to the Purchase Date of an Offering Period.

17.2 Such designation of a beneficiary may be changed by the Participant at any time by written notice to the Company. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such



shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

18. Adjustments Upon Changes in Capitalization; Dissolution or Liquidation; Change in Control.

18.1 Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock which have been authorized for issuance under the Plan but not yet placed under option, the maximum number of shares each Participant may purchase during each Offering Period (pursuant to Section 7 hereof), as well as the price per share and the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been “effected without receipt of consideration.” Such adjustment shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

18.2 Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Offering Period then in progress shall be shortened by setting a new Exercise Date (the “New Exercise Date”), and shall terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Committee. The New Exercise Date shall be before the effective date of the Company’s proposed dissolution or liquidation. The Committee shall notify each Participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the Participant’s option has been changed to the New Exercise Date and that the Participant’s option shall be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 10 hereof.

18.3 Merger or Change in Control. In the event of a merger or Change in Control, the Offering Period with respect to each outstanding option will be shortened by setting a New Exercise Date and will end on the New Exercise Date. The New Exercise Date will occur before the date of the Company’s proposed merger or Change in Control. The Committee will notify each Participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the Participant’s option has been changed to the New Exercise Date and that the Participant’s option will be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 10 hereof.

19. General Provisions.

19.1 Equal Rights and Privileges. Notwithstanding any provision of the Plan to the contrary and in accordance with Section 423 of the Code, all Eligible Employees who are granted options under the Plan shall have the same rights and privileges.

19.2 No Right to Continued Service. Neither the Plan nor any compensation paid hereunder will confer on any Participant the right to continue as an Employee or in any other capacity.

19.3 Rights as Shareholder. A Participant will become a shareholder with respect to the shares of Common Stock that are purchased pursuant to options granted under the Plan when the shares are transferred to the Participant's ESPP Share Account. A Participant will have no rights as a shareholder with respect to shares of Common Stock for which an election to participate in an Offering Period has been made until such Participant becomes a shareholder as provided above.

19.4 Successors and Assigns. The Plan shall be binding on the Company and its successors and assigns.

19.5 Entire Plan. This Plan constitutes the entire plan with respect to the subject matter hereof and supersedes all prior plans with respect to the subject matter hereof.

19.6 Compliance with Law. The obligations of the Company with respect to payments under the Plan are subject to compliance with all applicable laws and regulations. Common Stock shall not be issued with respect to an option granted under the Plan unless the exercise of such option and the issuance and delivery of the shares of Common Stock pursuant thereto shall comply with all applicable provisions of law, including, without limitation, the Securities Act, the Exchange Act, and the requirements of any stock exchange upon which the shares of Common Stock may then be listed.

19.7 Notice of Disqualifying Dispositions. Each Participant shall give the Company prompt written notice of any disposition or other transfer of shares of Common Stock acquired pursuant to the exercise of an option acquired under the Plan, if such disposition or transfer is made within two years after the Offering Date or within one year after the Purchase Date.

19.8 Term of Plan. The Plan shall become effective on the Effective Date and, unless terminated earlier pursuant to Section 19.9, shall have a term of ten (10) years.

19.9 Amendment or Termination. The Committee may, in its sole discretion, amend, suspend or terminate the Plan at any time and for any reason. If the Plan is terminated, the Committee may elect to terminate all outstanding Offering Periods either immediately or once shares of Common Stock have been purchased on the next Purchase Date (which may, in the discretion of the Committee, be accelerated) or permit Offering Periods to expire in accordance with their terms (and subject to any adjustment in accordance with Section 18). If

any Offering Period is terminated before its scheduled expiration, all amounts that have not been used to purchase shares of Common Stock will be returned to Participants (without interest, except as otherwise required by law) as soon as administratively practicable.

19.10 Applicable Law. The laws of the State of Delaware shall govern all questions concerning the construction, validity and interpretation of the Plan, without regard to such state's conflict of law rules.

19.11 Shareholder Approval. The Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted by the Board.

19.12 Section 423. The Plan is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code. Any provision of the Plan that is inconsistent with Section 423 of the Code shall be reformed to comply with Section 423 of the Code.

19.13 Withholding. To the extent required by applicable Federal, state or local law, a Participant must make arrangements satisfactory to the Company for the payment of any withholding or similar tax obligations that arise in connection with the Plan.

19.14 Severability. If any provision of the Plan shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and the Plan shall be construed as if such invalid or unenforceable provision were omitted.

19.15 Headings. The headings of sections herein are included solely for convenience and shall not affect the meaning of any of the provisions of the Plan.

**SIXTH AMENDMENT  
TO  
LOAN AND SECURITY AGREEMENT**

This Sixth Amendment to Loan and Security Agreement (this “**Amendment**”) is entered into this 1st day of November, 2021, among (a) **SILICON VALLEY BANK**, a California corporation (“**SVB**”), in its capacity as Administrative Agent (“**Agent**”), (b) SVB, and each other lender and other financial institutions party to the Loan Agreement (as defined below) from time to time (each, a “**Lender**” and collectively, the “**Lenders**”), and (c) (i) **ATRICURE, INC.**, a Delaware corporation with its chief executive office located at 7555 Innovation Way, Mason, Ohio 45040 (“**AtriCure**”), (ii) **ATRICURE, LLC**, a Delaware limited liability company (“**AtriCure LLC**”), (iii) **ENDOSCOPIC TECHNOLOGIES, LLC**, a Delaware limited liability company (“**Endoscopic**”), (iv) **nCONTACT SURGICAL, LLC**, a Delaware limited liability company (“**nContact**”), and (v) **SENTREHEART LLC**, a Delaware limited liability company (“**SentreHeart**”, and together with AtriCure, AtriCure LLC, Endoscopic and nContact, individually and collectively, jointly and severally, the “**Borrower**”).

**Recitals**

**A.** Agent, the Lenders and the Borrower have entered into that certain Loan and Security Agreement dated as of February 23, 2018, as amended by that certain First Amendment to Loan and Security Agreement dated December 28, 2018, as further amended by that certain Consent and Second Amendment to Loan and Security Agreement dated August 12, 2019, as further amended by that certain Joinder and Third Amendment to Loan and Security Agreement, dated as of September 27, 2019, as further amended by that certain Fourth Amendment to Loan and Security Agreement dated as of April 29, 2020, and as further amended by that certain Fifth Amendment to Loan and Security Agreement dated as of February 8, 2021 (as the same may from time to time be further amended, modified, supplemented or restated, the “**Loan Agreement**”).

**B.** Agent and the Lenders have extended credit to Borrower for the purposes permitted in the Loan Agreement.

**C.** Agent, Borrower and the Lenders have agreed to make certain revisions to the Loan Agreement as more fully set forth herein.

**D.** Agent and the Lenders have agreed to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

**Agreement**

**Now, Therefore**, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

**1. Definitions.** Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

**2. Amendments to Loan Agreement.**

**2.1 Section 2.1.1 (Revolving Advances).** Subsection (a) of Section 2.1.1 is amended in its entirety and replaced with the following:

“ (a) Availability. Subject to the terms and conditions of this Agreement and to deduction of Reserves, the Lenders agree, severally and not jointly, to make Advances to Borrower in accordance with each Lender’s respective Revolving Line Commitment as set forth on Schedule 1 hereto, in an aggregate outstanding amount at any time not exceeding the Availability Amount; provided however, that notwithstanding the foregoing, no Advance shall be made to Borrower without Agent’s prior written consent. Amounts borrowed under the Revolving Line may be repaid and, prior to the Revolving Line Maturity Date, reborrowed, subject to the applicable terms and conditions precedent herein. Notwithstanding the foregoing, no Advance shall be made to Borrower following the Sixth Amendment Effective Date until Agent, or its agents, complete an inspection, in accordance with Section 6.6 hereof, reasonably satisfactory to Agent.”

**2.2 Section 2.1.5 (Term Loan Advance).** Subsection (a) of Section 2.1.5 is amended in its entirety and replaced with the following:

“ (a) Availability. Subject to the terms and conditions of this Agreement, the Lenders with Term Loan Commitments, severally and not jointly, shall make one (i) term loan advance available to Borrower on the Sixth Amendment Effective Date in an original principal amount of Sixty Million Dollars (\$60,000,000.00) (the “**Term Loan Advance**”). For the avoidance of doubt, all Term Loan Advances outstanding as of the Sixth Amendment Effective Date shall be paid in full with the Term Loan Advance.”

**2.3 Section 2.3 (Payment of Interest on the Credit Extensions).** Subsections (a)(i) and (a)(ii) of Section 2.3 are deleted in their entirety and replaced with the following:

“(i) Advances. Subject to Section 2.3(b), the principal amount outstanding under the Revolving Line shall accrue interest at a floating per annum rate equal to the Prime Rate, which interest shall be payable monthly in accordance with Section 2.3(d) below.

(ii) Term Loan Advance. Subject to Section 2.3(b), the principal amount of the outstanding Term Loan Advance shall accrue interest at a floating per annum rate equal to the Prime Rate plus one and one quarter of one percent (1.25%), which interest shall be payable monthly in accordance with Section 2.1.5(b).”

**2.4 Section 2.4 (Fees).** Subsection (b) of Section 2.4 is deleted in its entirety and replaced with the following:

“(b) Revolving Line Early Termination Fee. Upon termination of the Revolving Line for any reason prior to the Revolving Line Maturity Date, in addition to the payment of any other amounts then-owing, Borrower shall pay to Agent for the ratable benefit of the Lenders holding a Revolving Line Commitment, a termination fee (the “**Termination Fee**”) in an amount equal to (i) if such termination occurs on or prior to the first anniversary of the Sixth Amendment Effective Date, three percent (3.00%) of the Revolving Line; (ii) if such termination occurs after the first anniversary of the Sixth Amendment Effective Date but on or before the second anniversary of the Sixth Amendment Effective Date, two percent (2.00%) of the Revolving Line; and (iii) if such termination occurs after the second anniversary of the Sixth Amendment Effective Date but prior to the Revolving Line Maturity Date, one percent (1.00%) of the Revolving Line; provided that no Termination Fee shall be charged if the credit facility hereunder is replaced with a new facility from SVB or any Affiliate of SVB;”

**2.5 Section 2.4 (Fees).** Subsection (h) of Section 2.4 is inserted alphabetically in Section 2.4 as follows:

“(h) Sixth Amendment Revolving Line Commitment Fee. In addition to the Revolving Line Commitment Fee paid prior to the Second Amendment Effective Date and the commitment fee set forth in Section 2.4(g), Borrower shall pay to Agent a fully earned, non-refundable commitment fee of Sixty Thousand Dollars (\$60,000.00) on the Sixth Amendment Effective Date.”

**2.6 Section 2.9 (Uncommitted Accordion).** Section 2.9 is deleted in its entirety and replaced with the following:

“**2.9 Uncommitted Accordion.**

(a) Uncommitted Accordion Facility. Provided no Default or Event of Default has occurred and is continuing and subject to the approval of Agent and any conditions precedent required by Agent and the applicable Lender, in each case in its sole and absolute discretion, Borrower may request one (1) or more increases to the Term Loan Advance (each, an “**Uncommitted Accordion Advance**”), in an aggregate amount not to exceed Thirty Million Dollars (\$30,000,000.00).

(b) Lender Election to Increase; Prospective Lenders. At the time of sending such notice, Borrower, subject to the consent of Agent, shall specify the time period (such period, the “**Election Period**”) within which each Lender is requested to respond (which Election Period shall in no event be less than ten (10) Business Days from the date of delivery of such notice to the Lenders), and Agent

shall promptly thereafter notify each Lender of Borrower's request for such Uncommitted Accordion Advance and the Election Period during which each Lender is requested to respond to such Borrower request; provided that if such notice indicates that it is conditioned upon the occurrence of a specified event, such notice may be revoked if such event does not occur prior to the requested funding date. No Lender shall be obligated to participate in any Uncommitted Accordion Advance, and each such Lender's determination to participate shall be in such Lender's sole and absolute discretion. Any Lender not responding by the end of such Election Period shall be deemed to have declined to increase its respective Term Loan Commitment. If the Term Loan Advance is increased in accordance with this Section 2.9, Agent shall determine the effective date (the "**Increase Effective Date**") and the final allocation of such Uncommitted Accordion Advance. Agent shall promptly notify Borrower and the Lenders of the final allocation of such Uncommitted Accordion Advance and the Increase Effective Date.

(c) Distribution of Revised Commitments Schedule. Agent shall promptly distribute to the parties an amended Schedule 1 (which shall be deemed incorporated into this Agreement), to reflect any such changes in the Term Loan Commitment Percentages of the existing Lenders and the respective Term Loan Commitment Percentages resulting therefrom."

**2.7 Section 4.1 (Grant of Security Interest)**. The second and third paragraphs of Section 4.1 are amended in their entirety and replaced with the following paragraph:

"Borrower acknowledges that it previously has entered, and/or may in the future enter, into Bank Services Agreements with SVB. Regardless of the terms of any Bank Services Agreement, Borrower agrees that any amounts Borrower owes SVB thereunder shall be deemed to be Obligations hereunder and that it is the intent of Borrower and SVB to have all such Obligations secured by the first priority perfected security interest in the Collateral granted herein (subject only to Permitted Liens that may have superior priority to Agent's Liens in this Agreement)."

**2.8 Section 4.2 (Priority of Security Interest)**. Section 4.2 is amended in its entirety and replaced with the following:

**4.2 Priority of Security Interest**. Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral (subject only to Permitted Liens that are permitted pursuant to the terms of this Agreement to have superior priority to Agent's Lien under this Agreement). If Borrower shall acquire a commercial tort claim, Borrower shall promptly notify Agent in a writing signed by Borrower of the general details thereof and grant to Agent, for the ratable benefit of the Lenders, in such writing a security interest therein and in

the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Agent.”

**2.9 Section 5.2 (Collateral).** 5.2 is amended in its entirety and replaced with the following:

“**5.2 Collateral.** Borrower has good title to, rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder free and clear of any and all Liens except Permitted Liens. Borrower has no Collateral Accounts at or with any bank or financial institution other than with SVB or SVB’s Affiliates except for the Collateral Accounts described in the Perfection Certificate delivered to Agent in connection herewith and which Borrower has given Agent notice and taken such actions as are necessary to give Agent, for the ratable benefit of the Lenders, a perfected security interest therein, pursuant to the term of Section 6.8(b). The Accounts are bona fide, existing obligations of the Account Debtors.”

**2.10 Section 5.4 (Litigation).** 5.4 is amended in its entirety and replaced with the following:

“**5.4 Litigation.** Except as otherwise specified in the Perfection Certificate or reported pursuant to Section 6.2(j), there are no actions or proceedings pending or, to the knowledge of the Responsible Officers, threatened in writing by or against Borrower or any of its Subsidiaries involving more than Five Hundred Thousand Dollars (\$500,000.00) individually or One Million Dollars (\$1,000,000.00) in the aggregate at any time.”

**2.11 Section 5.10 (Use of Proceeds).** Section 5.10 is deleted in its entirety and replaced with the following:

“**5.10 Use of Proceeds.** Borrower shall use the proceeds of the Credit Extensions (i) for the repayment in full of the Term Loan Advances outstanding as of the Sixth Amendment Effective Date and (ii) as working capital and to fund its general business requirements and not for personal, family, household or agricultural purposes.”

**2.12 Section 6.2 (Financial Statements, Reports, Certificates).** Subsections (a), (b), and (d) of Section 6.2:

“(a) Borrowing Base Reports. (i) With each request for an Advance, (ii) within thirty (30) days after the end of each month when there are Credit Extensions outstanding under the Revolving Line, and (iii) when there are no Credit Extensions outstanding under the Revolving Line, (x) within thirty (30) days after the end of each month, or, (y) in any fiscal quarter during which Borrower maintains at least One Hundred Ten Million Dollars (\$110,000,000) of unrestricted and unencumbered cash and Cash Equivalents in Deposit Accounts or Securities Accounts with SVB and its Affiliates for the duration of such fiscal quarter, within forty-five (45) days after such fiscal quarter of Borrower, a



Borrowing Base Report (and any other schedules and reports related thereto as Agent may reasonably request, including, without limitation, a detailed accounts receivable ledger report). For the avoidance of doubt, when there are no Credit Extensions outstanding under the Revolving Line, in the event the amount of unrestricted and unencumbered cash and Cash Equivalents of Borrower in Deposit Accounts or Securities Accounts with SVB and its Affiliates falls below One Hundred Ten Million Dollars (\$110,000,000) at any point during a fiscal quarter, Borrower shall provide such Borrowing Base Report within 30 days of the month most recently ended and within 30 days of each remaining month in such fiscal quarter;

(b) Accounts Receivable/Accounts Payable Reports. (i) Within thirty (30) days after the end of each month when there are Credit Extensions outstanding under the Revolving Line and (ii) when there are no Credit Extensions outstanding under the Revolving Line (x) within thirty (30) days after the end of each month, or, (y) in any fiscal quarter during which Borrower maintains at least One Hundred Ten Million Dollars (\$110,000,000) of unrestricted and unencumbered cash and Cash Equivalents in Deposit Accounts or Securities Accounts with SVB and its Affiliates for the duration of such fiscal quarter, within forty-five (45) days after such fiscal quarter of Borrower, (A) monthly accounts receivable agings, aged by invoice date, (B) monthly accounts payable agings, aged by due date, and outstanding or held check registers, if any, (C) monthly reconciliations of accounts receivable agings (aged by invoice date), transaction reports, detailed debtor listing, Deferred Revenue report, and general ledger, and (D) monthly perpetual inventory reports for Inventory, valued on a first in, first out basis at the lower of cost or market (in accordance with GAAP) or such other inventory reports as are requested by Agent in its good faith business judgment. For the avoidance of doubt, in the event the amount of unrestricted and unencumbered cash and Cash Equivalents of Borrower in Deposit Accounts or Securities Accounts with SVB and its Affiliates falls below One Hundred Ten Million Dollars (\$110,000,000) at any point during a fiscal quarter, Borrower shall provide items (A) through (D) within 30 days of the month most recently ended and within 30 days of each remaining month in such fiscal quarter;

(c) Quarterly Financial Statements. As soon as available, but no later than forty-five (45) days after the last day of each quarter, a company prepared consolidated and consolidating balance sheet, consolidated and consolidating statement of cash flows and consolidated and consolidating income statement, as filed with the SEC with respect to such consolidated financial statements, covering Borrower's consolidated and Borrower's and each of its Subsidiary's operations for such quarter, certified by a Responsible Officer and in a form acceptable to Agent and the Lenders (the "**Borrower-prepared Financial Statements**"); provided that Agent and Lenders agree that the form of Borrower-prepared Financial Statements with the SEC is an acceptable form with respect to such consolidated financial statements;

(d) Compliance Certificates. (i) Within thirty (30) days after the end of each month when there are Credit Extensions outstanding under the Revolving Line and (ii) when there are no Credit Extensions outstanding under the Revolving Line (x) within thirty (30) days after the end of each month, or, (y) in any fiscal quarter during which Borrower maintains at least One Hundred Ten Million Dollars (\$110,000,000) of unrestricted and unencumbered cash and Cash Equivalents in Deposit Accounts or Securities Accounts with SVB and its Affiliates for the duration of such fiscal quarter, within forty-five (45) days after such fiscal quarter of Borrower, a duly completed Compliance Certificate signed by a Responsible Officer, certifying that as of the end of such month, Borrower was in full compliance with all of the terms and conditions of this Agreement, and setting forth calculations showing compliance with the financial covenants set forth in this Agreement and such other information as Agent or the Lenders may reasonably request, including, without limitation, a statement that at the end of such month or quarter, as applicable, there were no held checks. For the avoidance of doubt, when there are no Credit Extensions outstanding under the Revolving Line, in the event the amount of unrestricted and unencumbered cash and Cash Equivalents of Borrower in Deposit Accounts or Securities Accounts with SVB and its Affiliates falls below One Hundred Ten Million Dollars (\$110,000,000) at any point during a fiscal quarter, Borrower shall provide such Compliance Certificate within 30 days of the month most recently ended and within 30 days of each remaining month in such fiscal quarter;”

**2.13 Section 6.2 (Financial Statements, Reports, Certificates).** Subsection (j) of Section 6.2 is deleted in its entirety and replaced with the following:

“(j) Legal Action Notice. Prompt report (in any event not less than monthly in a written notice provided to Agent, if any event(s) are reportable), of any legal action pending or threatened in writing against Borrower or any of its Subsidiaries that could result in damages or costs to Borrower or any of its Subsidiaries of more than Five Hundred Thousand Dollars (\$500,000.00), individually, or more than One Million Dollars (\$1,000,000.00) when aggregated with all other legal actions pending or threatened in writing against Borrower or any of its Subsidiaries that have not previously been disclosed to Agent pursuant to the Perfection Certificate or other written report;”

**2.14 Section 6.9 (Financial Covenants).** Section 6.9 is amended in its entirety and replaced with the following:

**“6.9 Financial Covenant.**

Maintain at all times, to be tested as of the last day of each month, unless otherwise noted, with respect to Borrower:

(a) Liquidity Ratio. Maintain at all times, to be tested (i) as of the last day of each month when there are Credit Extensions outstanding under the Revolving Line and (ii) when there are no Credit Extensions outstanding under the

Revolving Line, (x) as of the last day of each month, or, (y) in any fiscal quarter during which Borrower maintains at least One Hundred Ten Million Dollars (\$110,000,000) of unrestricted and unencumbered cash and Cash Equivalents in Deposit Accounts or Securities Accounts with SVB and its Affiliates for the duration of such fiscal quarter, as of the last day of such fiscal quarter, with respect to Borrower, a minimum Liquidity Ratio equal to or greater than 1.35:1.00. For the avoidance of doubt, when there are no Credit Extensions outstanding under the Revolving Line, in the event the amount of unrestricted and unencumbered cash and Cash Equivalents of Borrower in Deposit Accounts or Securities Accounts with SVB and its Affiliates falls below One Hundred Ten Million Dollars (\$110,000,000) at any point during a fiscal quarter, such minimum Liquidity Ratio shall be tested for the month most recently ended and each remaining month in such fiscal quarter.”

**2.15 Section 7.2 (Changes in Business, Management, Control, or Business Locations).** The last paragraph of Section 7.2 is deleted in its entirety and replaced with the following:

“Borrower shall not deliver to any bailee any portion of the Collateral, except that Borrower may deliver (x) Inventory to a bailee for sterilization in an aggregate amount outstanding at any one time for such bailee not exceeding Four Million Dollars (\$4,000,000.00) (gross book value), (y) molds to bailees who use the molds to fabricate Inventory for Borrower in an aggregate amount outstanding at any one time for all such bailees not exceeding Eight Million Dollars (\$8,000,000.00) (gross book value), and (z) other Inventory or Equipment to bailees in an aggregate amount outstanding at any one time for all such bailees not exceeding Four Million Dollars (\$4,000,000.00) (gross book value). If Borrower intends to deliver any portion of the Collateral to a bailee in an amount in excess of what is allowed pursuant to the foregoing sentence, Borrower will first receive the written consent of Agent, and such bailee shall execute and deliver a bailee agreement in form and substance reasonably satisfactory to Agent. Borrower may maintain small amounts of “trunk stock” with Borrower’s sales representatives and may maintain with any customer of Borrower (y) up to Two Hundred Fifty Thousand Dollars (\$250,000.00) (valued at Borrower’s then current standard cost) per customer, at any one time, of Borrower’s generators/capital equipment and (z) up to Two Hundred Fifty Thousand Dollars (\$250,000.00) (valued at Borrower’s then current standard cost) per customer, at any one time, of Borrower’s disposable products on consignment to such customer.”

**2.16 Section 14 (Definitions).** The following terms and their respective definitions set forth in Section 14.1 are deleted in their entirety and replaced with the following:

“**Availability Amount**” is (a) the lesser of (i) the Revolving Line or (ii) the amount available under the Borrowing Base minus (b) the aggregate Dollar Equivalent amount of all outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit plus an amount equal to the Letter of Credit Reserve), minus (c) the FX Reduction Amount, minus (d) any amounts used for

Cash Management Services, and minus (e) the outstanding principal balance of any Advances.

**“Borrowing Base”** is (a) eighty-five percent (85%) of Eligible Accounts plus (b) the lesser of eighty-five percent (85%) of Eligible Foreign Accounts or Seven Million Five Hundred Thousand Dollars (\$7,500,000.00) plus (c) the lesser of fifty percent (50%) of the value of Borrower’s Eligible Inventory (valued at the lower of cost or wholesale fair market value) or Ten Million Dollars (\$10,000,000.00), in each case as determined by Agent from Borrower’s most recent Borrowing Base Report (and as may subsequently be updated by Agent based upon information received by Agent including, without limitation, Accounts that are paid and/or billed following the date of the Borrowing Base Report); provided, however, that Agent has the right to decrease the foregoing amounts and/or percentages in its good faith business judgment, which may be based on the results of, field examinations, to mitigate the impact of events, conditions, contingencies, or risks which may adversely affect the Collateral or its value.

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

**“Eligible Foreign Accounts”** are Accounts of Borrower the Account Debtors for which have their principal place of business located in the countries specified in Exhibit C attached hereto, or such other locations acceptable to Agent and as determined by Agent, on a case-by-case basis, that are otherwise Eligible Accounts and are acceptable to Agent, in its reasonable discretion.

**“Eligible Inventory”** means, at any time, the aggregate of Borrower’s Inventory that (a) consists of raw materials and/or finished goods, in good, new, and salable condition, which is not perishable, returned, consigned, obsolete, not sellable, damaged, or defective, and is not comprised of demonstrative or custom inventory, works in progress, packaging or shipping materials, or supplies; (b) meets all applicable governmental standards; (c) has been manufactured in compliance with the Fair Labor Standards Act; (d) is subject to the first priority Liens granted in favor of Agent under this Agreement or any of the other Loan Documents and is not subject to any other Lien other than Permitted Liens; (e) is located in the United States at Borrower’s principal place of business (or any location permitted under Section 5.2) and, in any event, subject to a landlord’s consent or bailee waiver, as applicable, in form and substance acceptable to Agent, in its reasonable discretion; and (f) is otherwise acceptable to Agent in its good faith business judgment, which may be based on results of the field exam process.

**“Guarantor”** is any present or future guarantor of the Obligations.

**“Guarantor Security Agreement”** is any security agreement executed by any Guarantor from time to time.

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

**“Net Accounts Receivable”** means Borrower’s net trade accounts receivable determined in accordance with GAAP.

**“Revolving Line”** is an aggregate principal amount not to exceed Thirty Million Dollars (\$30,000,000.00) outstanding at any time.

**“Revolving Line Maturity Date”** is the earlier of (a) the date Borrower repays the Term Loan Advance in full and (b) November 1, 2026.

**“Term Loan Amortization Date”** is the first day of the first full calendar month following the twenty-four (24) month anniversary of the Sixth Amendment Effective Date (the **“Initial Amortization Start Date”**) (i.e. December 1, 2023); provided, however, that if the IO Extension Condition is satisfied, Borrower may, on any Business Day during the period beginning on November 1, 2023 and ending on the date that is fifteen (15) days prior to the Initial Amortization Start Date, request in writing that Agent extend the Initial Amortization Start Date (an **“IO Extension Request”**), the Term Loan Amortization Date will be extended by an additional twelve (12) months (i.e. December 1, 2024).

For purposes hereof, the **“IO Extension Condition”** means no Default or Event of Default has occurred and is continuing.

**“Term Loan Amortization Period”** means thirty-six (36) months; provided, that if Borrower provides an IO Extension Request in accordance with the definition of **“Term Loan Amortization Date”**, the Term Loan Amortization Period shall mean twenty-four (24) months.

**“Term Loan Final Payment”** is a payment (in addition to and not a substitution for the regular monthly payments of principal plus accrued interest, and supplemental of all other fees and expenses due and owing in connection with the Term Loan Advance), in an amount equal to the aggregate original principal amount of the Term Loan Advance advanced to Borrower (which shall be the Term Loan Advance advanced on the Sixth Amendment Effective Date) multiplied by three percent (3.00%).

**“Term Loan Maturity Date”** is November 1, 2026.

**“Term Loan Prepayment Premium”** is an additional fee payable to Agent, for the ratable benefit of the Lenders with a Term Loan Commitment, in an amount equal to:

- (a) for a prepayment of the Term Loan Advance made on or prior to the first anniversary of the Sixth Amendment Effective Date, three percent (3.00%) of the original principal amount of the Term Loan Advance;
- (b) for a prepayment of the Term Loan Advance made after the first anniversary of the Sixth Amendment Effective Date but on or prior to the second anniversary of the Sixth Amendment Effective Date, two percent (2.00%) of the original principal amount of the Term Loan Advance; and
- (c) for a prepayment of the Term Loan Advance made after the second anniversary of the Sixth Amendment Effective Date but prior to the Term Loan Maturity Date, one percent (1.00%) of the original principal amount of the Term Loan Advance;

provided that no Term Loan Prepayment Premium shall be charged if the credit facility hereunder is replaced with a new facility from SVB or any Affiliate of SVB.

**2.17 Section 14 (Definitions).** The following new defined terms are hereby inserted alphabetically in Section 14.1:

**“Election Period”** is defined in Section 2.9(b).

**“Euros,” “euros”** and **“€”** each mean the official currency of the European Union, as adopted by the European Council at its meeting in Madrid, Spain on December 15 and 16, 1995.

**“Increase Effective Date”** is defined in Section 2.9(b).

**“Sixth Amendment Effective Date”** is November 1, 2021.

**“Uncommitted Accordion Advance”** is defined in Section 2.9(a).

**2.18 Section 14 (Definitions).** The following defined terms set forth in Section 14.1 are deleted in their entirety:

**“Deed of Right of Pledge on Shares”** means the deed of pledge of shares among Borrower as Pledgor, AtriCure B.V. as the Company and Agent as Pledgee dated as of the Effective Date.

**“Dutch Security Documents”** means the following, as each may be amended from time to time: (i) Omnibus Deed of Pledge; (ii) Deed of Right of Pledge on

Shares; and (iii) such other security documents executed and or delivered from time to time.

“**Omnibus Deed of Pledge**” means the security interest created or expressed to be created in favor of the Bank pursuant to a Dutch omnibus deed of pledge agreement with respect to receivables, movables and intellectual property rights between AtriCure B.V. as Pledgor and Agent as Pledgee dated as of the Effective Date.

**2.19 Section 14 (Definitions).** Clause (f) of “Permitted Investments” set forth in Section 14.1 is deleted in their entirety:

“(f) Investments (i) by Borrower in Subsidiaries that are Secured Guarantors; (ii) by Subsidiaries in Borrower, (iii) Investments of any Borrower in any other Borrower, (iv) consisting of loans by Borrower to Atricure B.V. in an amount not to exceed €7,000,000.00 in the aggregate outstanding at any month end, and (v) consisting of equity contributions by Borrower to Atricure B.V. in an amount not to exceed €8,000,000.00 in the aggregate in any fiscal year and €40,000,000.00 in the aggregate during the term of this Agreement;”

**2.20 Section 6.15 (Post-closing Matters).** Section 6.15 is deleted in its entirety.

**2.21 Schedule 1 (Lenders and Commitments).** Schedule 1 to the Loan Agreement is deleted in its entirety and replaced with Schedule 1 attached hereto.

**2.22 Exhibit A (Collateral).** The Collateral Description appearing as Exhibit A to the Loan Agreement is deleted in its entirety and replaced with the Compliance Certificate attached as Schedule 2 attached hereto.

**2.23 Exhibit B (Compliance Certificate).** The Compliance Certificate appearing as Exhibit B to the Loan Agreement is deleted in its entirety and replaced with the Compliance Certificate attached as Schedule 3 attached hereto.

**2.24 Exhibit C (Eligible Foreign Accounts).** The list of Eligible Foreign Accounts appearing as Exhibit C to the Loan Agreement is deleted in its entirety and replaced with the Compliance Certificate attached as Schedule 4 attached hereto.

**3. Waiver of Term Loan Final Payment.** Borrower acknowledges that a Term Loan Final Payment is due and payable as of the Sixth Amendment Effective Date in connection with the payment of all Term Loan Advances outstanding as of the Sixth Amendment Effective Date. Agent and the Lenders hereby waive the portion of the Term Loan Final Payment exceeding the Accrued Term Loan Final Payment (as defined below), but only for the foregoing specific payment. Borrower hereby acknowledges and agrees that except as specifically provided herein, nothing in this Section or anywhere in this Amendment shall be deemed or otherwise construed as a waiver by Agent of any of its rights and remedies pursuant to the Loan Documents, applicable law or otherwise, including, for the avoidance of doubt, any future Term Loan Final Payment arising from the payment of the Term Loan Advance in the original

principal amount of Sixty Million Dollars (\$60,000,000) advanced on the Sixth Amendment Effective Date.

#### **4. Limitation of Amendments.**

**4.1** The amendments set forth in Section 2, above, are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Agent and Lenders may now have or may have in the future under or in connection with any Loan Document.

**4.2** This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

**5. Representations and Warranties.** To induce Agent and each Lender to enter into this Amendment, Borrower hereby represents and warrants to Agent and each Lender as follows:

**5.1** Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct in all material respects as of such date), provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and (b) no Event of Default has occurred and is continuing;

**5.2** Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

**5.3** The organizational documents of Borrower previously delivered to Agent either (i) remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect; or (ii) have been amended and have been delivered to Agent in connection with this Amendment;

**5.4** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

**5.5** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;



**5.6** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and

**5.7** This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

## **6. Release; Reaffirmation and Confirmation.**

**6.1** Agent hereby releases ENDOSCOPIC TECHNOLOGIES, LLC, a Delaware limited liability company ("**Endoscopic**"), nCONTACT SURGICAL, LLC, a Delaware limited liability company ("**nContact**"), and SENTREHEART LLC, a Delaware limited liability company ("**Sentreheart**" and together with Endoscopic and nContact shall be referred to collectively as "**Released Borrower**"), and ATRICURE EUROPE, B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands ("**Released Guarantor**") from its obligations under the Loan Agreement, and its Guaranty and Guarantor Security Agreement, as applicable, provided, however, those obligations, liabilities, covenants, and terms that are expressly specified in any Loan Document as surviving that respective agreement's termination, including without limitation, Released Borrower's indemnity obligations set forth in the Loan Agreement, shall continue to survive notwithstanding this termination. Agent authorizes Borrower, or any other party on behalf of Borrower, to prepare and file any UCC-3 Termination Statements or other documents necessary to evidence the release of Agent's security interests in any of Released Borrower's and Released Guarantor's property or assets that secured the Obligations. The release provided in this Section 6.1 relates only to Released Borrower and Released Guarantor and shall not be deemed to constitute an agreement by Agent to release any other Borrower from any of its obligations under the Loan Agreement. Released Borrower and Released Guarantor hereby acknowledge and agree that Released Borrower and Released Guarantor have no offsets, defenses, claims, or counterclaims against Agent or the Lenders with respect to the Obligations, or otherwise, and that if Released Borrower or Released Guarantor now have, or ever did have, any offsets, defenses, claims, or counterclaims against Agent or the Lenders, whether known or unknown, at law or in equity, all of them are hereby expressly WAIVED and Released Borrower and Released Guarantor hereby RELEASE Agent and the Lenders from any liability thereunder.

**6.2** Each Borrower (other than Released Borrower) hereby (i) acknowledges and reaffirms its respective obligations as set forth in each of the Loan Documents, (ii) agrees to continue to comply with, and be subject to, all of the terms, provisions, conditions, covenants, agreements and obligations applicable to it set forth in the Loan Documents, which remain in full force and effect, and (iii) confirms, ratifies and reaffirms that (A) the indemnities given by it pursuant to the Loan Documents continue in full force and effect, and (B) the security interest

granted to Agent pursuant to the Loan Agreement, in all of the right, title, and interest of Borrower in all then existing and thereafter acquired or arising Collateral in order to secure the Obligations, is continuing and is and shall remain unimpaired and continue to constitute a first priority perfected security interest (subject to only to Permitted Liens) in favor of Agent, with the same force, effect and priority in effect immediately prior to entering into this Amendment. Agent's security interest in and to the Collateral of each Borrower has attached and continues to attach to all such Collateral and no further act on the part of Agent or any Borrower is necessary to continue such security interest. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent under the Loan Agreement or any other Loan Document, nor constitute a waiver of any provision of the Loan Agreement or any other Loan Document.

**7. Updated Perfection Certificate.** Borrower has delivered an updated Perfection Certificate dated as of November 1, 2021 (the "**Updated Perfection Certificate**"), which Updated Perfection Certificate shall supersede in all respects that certain Perfection Certificate dated as of February 23, 2018, as amended or supplemented from time to time prior to the date hereof, delivered by Borrower to Agent. Borrower and Agent acknowledge and agree that all references in the Loan Agreement to the "Perfection Certificate" shall hereinafter be deemed to be a reference to the Updated Perfection Certificate.

**8. Integration.** This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

**9. Counterparts.** This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

**10. Electronic Execution of Documents.** The words "execution," "signed," "signature" and words of like import in any Loan Document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping systems, as the case may be, to the extent and as provided for in any applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act.

**11. Conditions to Effectiveness.** Borrower hereby agrees that the following documents shall be delivered to the Agent prior to or concurrently with the execution of this Amendment, each in form and substance reasonably satisfactory to the Agent (collectively, the "**Conditions Precedent**"):

**11.1** this Amendment and the Updated Perfection Certificate duly executed on behalf of Borrower;

**11.2** copies, certified by a duly authorized officer of Borrower, to be true and complete as of the date hereof, of each of (i) the governing documents of Borrower as in effect on the date hereof (but only to the extent modified since last delivered to the Agent), (ii) the resolutions of Borrower authorizing the execution and delivery of this Amendment, the other documents executed in connection herewith and Borrower's performance of all of the transactions contemplated hereby, and (iii) an incumbency certificate giving the name and bearing a specimen signature of each individual who shall be so authorized on behalf of Borrower (but only to the extent any signatories have changed since such incumbency certificate was last delivered to Agent);

**11.3** the good standing certificates of Borrower certified by the Secretary of State (or equivalent agency) of Borrower's jurisdiction of organization or formation and each jurisdiction in which Borrower is qualified to conduct business, each as of a date no earlier than thirty (30) days prior to the Sixth Amendment Effective Date;

**11.4** a legal opinion of Borrower's counsel dated as of the Sixth Amendment Effective Date together with the duly executed original signature thereto;

**11.5** certified copies, dated as of a recent date, of financing statement searches, as Agent may request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the Sixth Amendment Effective Date, will be terminated or released;

**11.6** evidence satisfactory to Agent that the insurance policies and endorsements required by Section 6.7 of the Loan Agreement are in full force and effect, together with appropriate evidence showing additional insured clause or endorsement in favor of Agent;

**11.7** Borrower's payment of (i) the fully-earned, non-refundable commitment fee of Sixty Thousand Dollars (\$60,000.00) due on the Sixth Amendment Effective Date set forth in Section 2.8 above, (ii) the fully-earned, non-refundable Term Loan Final Payment in the amount of One Million Fifty-Five Thousand Dollars (\$1,055,000.00) (the "**Accrued Term Loan Final Payment**") and (iii) Agent's legal fees and expenses incurred in connection with this Amendment and the other Loan Documents;

**11.8** such other documents as Agent may reasonably request.

**12. Post-closing Matters.** On or before the day that is thirty (30) days after the date hereof (or such later date as Agent shall determine, in its sole reasonable discretion), Borrower shall deliver, or cause to be delivered, evidence satisfactory to Agent that the lender's loss payable endorsement required by Section 6.7 of the Loan Agreement are in full force and effect.

[Signature page follows.]

**In Witness Whereof**, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

**BORROWER:**

**ATRICURE, INC.**

By: /s/Angela L. Wirick  
Name: Angela L. Wirick  
Title: Chief Financial Officer

**AGENT:**

**SILICON VALLEY BANK**

By: /s/Brian Powers  
Name: Brian Powers  
Title: Director

**RELEASED BORROWER:**

**ENDOSCOPIC TECHNOLOGIES, LLC**

By: /s/Angela L. Wirick  
Name: Angela L. Wirick  
Title: Chief Financial Officer

**SENTREHEART LLC**

By: /s/Angela L. Wirick  
Name: Angela L. Wirick  
Title: Chief Financial Officer

**ATRICURE, LLC**

By: /s/Angela L. Wirick  
Name: Angela L. Wirick  
Title: Chief Financial Officer

**LENDER:**

**SILICON VALLEY BANK**

By: /s/Brian Powers  
Name: Brian Powers  
Title: Director

**nCONTACT SURGICAL, LLC**

By: /s/Angela L. Wirick  
Name: Angela L. Wirick  
Title: Chief Financial Officer

**RELEASED GUARANTOR:**

**ATRICURE EUROPE B.V.**

By:  /s/Geoffrey C. Stevens

Name: Geoffrey C. Stevens

Title: Managing Director

By:  /s/Angela L. Wirick

Name: Angela L. Wirick

Title: Managing Director

[Signature Page to Sixth Amendment to Loan and Security Agreement]

**SCHEDULE 1****LENDERS AND COMMITMENTS****TERM LOAN COMMITMENTS**

<b><u>Lender</u></b>	<b><u>Term Loan Advance Commitment</u></b>	<b><u>Term Loan Advance Commitment Percentage</u></b>
Silicon Valley Bank	\$60,000,000.00	100.0000%
<b><u>TOTAL</u></b>	<b>\$60,000,000.00</b>	<b>100.0000%</b>

**REVOLVING LINE COMMITMENTS**

<b><u>Lender</u></b>	<b><u>Revolving Line Commitment</u></b>	<b><u>Revolving Line Commitment Percentage</u></b>
Silicon Valley Bank	\$30,000,000.00	100.0000%
<b><u>TOTAL</u></b>	<b>\$30,000,000.00</b>	<b>100.0000%</b>

**TOTAL COMMITMENTS**

<b><u>Lender</u></b>	<b><u>Total Commitment</u></b>	<b><u>Total Commitment Percentage</u></b>
Silicon Valley Bank	\$90,000,000.00	100.0000%
<b><u>TOTAL</u></b>	<b>\$90,000,000.00</b>	<b>100.0000%</b>

**Schedule 2 to Sixth Amendment**

**EXHIBIT A**

**COLLATERAL DESCRIPTION**

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

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

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

Notwithstanding the foregoing, the Collateral does not include any Intellectual Property; provided, however, the Collateral shall include all Accounts and all proceeds of Intellectual Property. If a judicial authority (including a U.S. Bankruptcy Court) would hold that a security interest in the underlying Intellectual Property is necessary to have a security interest in such Accounts and such property that are proceeds of Intellectual Property, then the Collateral shall automatically, and effective as of the Effective Date, include the Intellectual Property to the extent necessary to permit perfection of Bank's security interest in such Accounts and such other property of Borrower that are proceeds of the Intellectual Property.

Pursuant to the terms of a certain negative pledge arrangement with Agent, Borrower has agreed not to encumber any of its Intellectual Property without Agent's prior written consent.

EXHIBIT B

COMPLIANCE CERTIFICATE

TO: SILICON VALLEY BANK                      Date: \_\_\_\_\_  
FROM: ATRICURE, INC. and ATRICURE, LLC

The undersigned authorized officer of AtriCure, Inc. ("**Borrower**") certifies for itself and each other Borrower that under the terms and conditions of the Loan and Security Agreement between Borrower, **SILICON VALLEY BANK**, a California corporation ("**SVB**"), in its capacity as Administrative Agent ("**Agent**"), and each Lender from time to time party thereto (as amended, the "**Agreement**"):

(1) Borrower is in complete compliance for the period ending \_\_\_\_\_ with all required covenants except as noted below; (2) there are no Events of Default; (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date; (4) Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.9 of the Agreement; and (5) no Liens have been levied or claims made against Borrower or any of its Subsidiaries relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Agent.

Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.



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

<u>Reporting Covenant</u>	<u>Required</u>	<u>Complies</u>
Borrowing Base Report (and any other schedules and reports related thereto as Agent may reasonably request, including, without limitation, a detailed accounts receivable ledger report)	With each request for an Advance, monthly within 30 days of month end when Credit Extensions are outstanding under the Revolving Line, and, when no Credit Extensions are outstanding under the Revolving Line, monthly within 30 days of month end or quarterly within 45 days after fiscal quarter end (subject to Section 6.2(a))	Yes No
Monthly payable & receivable items, check registers, general ledger, & reconciliations	Monthly within 30 days of month end when Credit Extensions are outstanding under the Revolving Line, and, when no Credit Extensions are outstanding under the Revolving Line, monthly within 30 days of month end or quarterly within 45 days after fiscal quarter end (subject to Section 6.2(b))	Yes No
Borrower financial statements	Quarterly within 45 days after quarter end	Yes No
Compliance Certificates	Monthly within 30 days of month end when Credit Extensions are outstanding under the Revolving Line, and, when no Credit Extensions are outstanding under the Revolving Line, monthly within 30 days of month end or quarterly within 45 days after fiscal quarter end (subject to Section 6.2(d))	Yes No
Annual financial statement (CPA Audited)	Within 120 days after FYE	Yes No
Annual budgets and projections	Within 30 days after FYE and as amended/updated	Yes No

<u>Financial Covenants</u>	<u>Required</u>	<u>Actual</u>	<u>Complies</u>
Maintain as indicated			
Liquidity Ratio (certified monthly or quarterly) (subject to Section 6.9(a))	1.35:1.00	__ :1.00	Yes/No/NA

Borrower is party to, or bound by, the following material Restricted Licenses that were not previously noted in the Perfection Certificate or a prior Compliance Certificate:

\_\_\_\_\_

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

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

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The statements contained in this Certificate are made solely to my knowledge as an officer of the Borrower and are not made in any personal capacity and are not intended to impose personal liability on me.

ATRICURE, INC.  
ATRICURE, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**BANK USE ONLY**

Received by: \_\_\_\_\_  
AUTHORIZED SIGNER  
Date: \_\_\_\_\_

Verified: \_\_\_\_\_  
AUTHORIZED SIGNER  
Date: \_\_\_\_\_

Compliance Status: Yes No

**Schedule 1 to Compliance Certificate**

**Financial Covenants of Borrower**

In the event of a conflict between this Schedule and the Loan Agreement, the terms of the Loan Agreement shall govern.

Dated: \_\_\_\_\_

**I. Liquidity Ratio (Section 6.9(a))**

Required: a minimum Liquidity Ratio equal to or greater than 1.35:1.00

Actual:

A.	Borrowers unrestricted cash and Cash Equivalents maintained with SVB and SVB's Affiliates (for purposes of clarity, the parties acknowledge that Borrower's cash or Cash Equivalents shall not be considered to be restricted by reason of the fact that they are subject to a Lien in favor of the Agent or any Lender)	\$____
B.	Net Accounts Receivable	\$____
C.	The sum of lines A and B	\$____
D.	All outstanding Obligations (including, for the avoidance of doubt, the full amount of the drawn portion of the Revolving Line plus the aggregate Dollar Equivalent of the face amount of outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit)), of Borrower owed to Agent and Lenders	\$____
E.	LIQUIDITY RATIO (line C divided by line D)	__:1.00

Is line E equal to or greater than 1.35:1.00?

\_\_\_\_ No, not in compliance      \_\_\_\_ Yes, in compliance

EXHIBIT C  
ELIGIBLE FOREIGN ACCOUNTS

**Billed and collected by AtriCure,  
Inc., and/or AtriCure, LLC**

**Asia**

Australia  
Hong Kong  
Japan  
South Korea  
Malaysia  
Russia  
Singapore  
Sri Lanka  
Taiwan  
Thailand

**Americas/Other**

Argentina  
Brazil  
Canada  
Chile  
Colombia  
Costa Rica  
Mexico  
New Zealand  
Panama  
Puerto Rico  
South Africa

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO  
SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael H. Carrel, certify that:

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

Date: November 4, 2021

By: /s/ Michael H. Carrel  
Michael H. Carrel  
President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL ACCOUNTING AND FINANCIAL OFFICER  
PURSUANT TO  
SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Angela L. Wirick, certify that:

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

Date: November 4, 2021

By: /s/ Angela L. Wirick  
Angela L. Wirick  
Chief Financial Officer  
(Principal Accounting and Financial Officer)

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

In connection with the quarterly report of AtriCure, Inc. (Company) on Form 10-Q for the quarter ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (Report), I, Michael H. Carrel, President and Chief Executive Officer and Principal Executive Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 4, 2021

By: /s/ Michael H. Carrel  
Michael H. Carrel  
President and Chief Executive Officer  
(Principal Executive Officer)

A signed original of this written statement or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to AtriCure, Inc. and will be retained by AtriCure, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the report or as a separate disclosure document.

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

In connection with the quarterly report of AtriCure, Inc. (Company) on Form 10-Q for the quarter ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (Report), I, Angela L. Wirick, Chief Financial Officer and Principal Accounting and Financial Officer of the Company, certify, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 4, 2021

By: /s/ Angela L. Wirick  
Angela L. Wirick  
Chief Financial Officer  
(Principal Accounting and Financial Officer)

A signed original of this written statement or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to AtriCure, Inc. and will be retained by AtriCure, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the report or as a separate disclosure document.