
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): August 2, 2012

ATRICURE, INC.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction
of incorporation)

000-51470
(Commission
File Number)

34-1940305
(IRS Employer
Identification No.)

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

45069
(Zip Code)

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

Not Applicable

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On August 2, 2012, AtriCure, Inc. ("AtriCure" or the "Company") issued a press release regarding its financial results for the second quarter ended June 30, 2012. The Company will hold a conference call on August 2, 2012 at 4:30 p.m. Eastern Time to discuss the financial results. A copy of the press release is furnished as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference.

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

Item 5.02. Departure of Directors or Certain Officers; Compensatory Arrangements of Certain Officers.

(b) On August 2, 2012 David J. Drachman, Chief Executive Officer and President of the Company, notified the Company that he is resigning from his positions with the Company. Pursuant to his Employment Agreement, Mr. Drachman will continue to serve as Chief Executive Officer and President of the Company through September 30, 2012. Mr. Drachman's term as a member of the Company's Board of Directors ends effective August 2, 2012.

On August 2, 2012 the Company announced the formation of an Office of the Chairman led by Richard M. Johnston, Chairman of AtriCure's Board of Directors. The Office of the Chairman will assume the responsibilities of David J. Drachman. In addition to Mr. Johnston, Michael D. Hooven shall serve as a member of AtriCure's new Office of the Chairman. One of AtriCure's founders and a member of the Board since 2000, Mr. Hooven served as the Company's Chief Executive Officer and President from 2000 to 2002.

Mr. Drachman's departure was not due to any disagreement with AtriCure on any matter relating to the Company's financial condition or financial reporting.

In connection with his resignation, Mr. Drachman and AtriCure entered into an agreement (the "Agreement") pursuant to which he is entitled to receive: (i) all accrued and unpaid base salary through the effective date of the resignation; (ii) payment for any accrued and unused vacation; (iii) continued vesting of all stock options and restricted stock until March 31, 2013; and (iv) six (6) months base salary (\$225,000). The foregoing description of the Agreement is a summary only and is qualified in its entirety by reference to the full text of the Agreement which will be filed as an exhibit in a future report. A press release announcing Mr. Drachman's departure is attached hereto as Exhibit 99.2.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>No.</u>	<u>Description</u>
99.1	Press Release dated August 2, 2012
99.2	Press Release dated August 2, 2012

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 hereunto duly authorized.

ATRICURE, INC.

Dated: August 2, 2012

By: /s/ David J. Drachman

David J. Drachman

President and Chief Executive Officer



Contact:

AtriCure, Inc.

David J. Drachman

President and Chief Executive Officer

(513) 755-5758

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AtriCure Reports Second Quarter 2012 Financial Results

Highlights

- Record revenue of \$18.3 million – up 10.5% constant currency
- U.S. open heart revenue, including AtriClip, of \$10.1 million – up 13.8%
- Record International sales of \$4.9 million – up 24.8% constant currency

WEST CHESTER, Ohio – August 2, 2012 – AtriCure, Inc. (Nasdaq: ATRC), a medical device company and a leader in cardiac surgical ablation systems for the treatment of atrial fibrillation, or AF, and systems for the exclusion of the left atrial appendage, today announced financial results for the second quarter of 2012.

Revenue for second quarter 2012 was a new high of \$18.3 million, reflecting 8.9% growth (10.5% growth constant currency) over the second quarter of 2011. Revenue from U.S. product sales was a record \$13.4 million, reflecting growth of 5.9%, and revenue from product sales to international customers was a record \$4.9 million, reflecting growth of 17.9% or 24.8% on a constant currency basis.

“We are pleased with our performance in the second quarter which saw solid growth in domestic product sales and continued strength in the international markets. U.S. procedure volumes have remained stable through the first half of 2012 and we are optimistic that these trends will continue through the remainder of 2012,” said David J. Drachman, President and Chief Executive Officer of AtriCure. “We believe AtriCure is well positioned to capitalize on our wide range of premium products, recent AF approval, education and marketing activities, momentum in international markets, and continued investment in regulatory approvals and clinical science.”

Second Quarter Financial Results

Revenue for the second quarter of 2012 was \$18.3 million, an increase of \$1.5 million or 8.9% compared to second quarter 2011 revenue. Domestic revenue increased 5.9% to a record \$13.4 million, including \$1.8 million in sales of the AtriClip system. International revenue was a record \$4.9 million, an increase of \$0.8 million or 17.9% (24.8% on a constant currency basis) when compared to \$4.1 million for the second quarter of 2011. International revenue growth was driven primarily by an increase in sales in Russia and Asia.

Gross profit for the second quarter of 2012 was \$12.7 million compared to \$12.3 million for the second quarter of 2011. Gross margin for the second quarter of 2012 was 69.6% compared to 73.2% for the second quarter of 2011. The decrease in gross margin was primarily due to increased manufacturing overhead costs required to transition and maintain the manufacturing of PMA approved products and our continued investments in quality systems to support our expanding operations.

Operating expenses for the second quarter of 2012 increased 7.5%, or \$1.0 million, to \$14.0 million from \$13.0 million for the second quarter of 2011. The increase in operating expenses was driven primarily by a combination of increased selling, general and administrative expenses as well as non-recurring severance charges in the quarter.

Loss from operations for the second quarter of 2012 was \$1.3 million compared to \$0.9 million for the second quarter of 2011. Adjusted EBITDA, a non-GAAP measure, was \$0.4 million for the second quarter of 2012. Net loss per share was \$0.08 for the second quarter of 2012 and \$0.06 for the second quarter of 2011.

Cash, cash equivalents and investments were \$15.0 million at June 30, 2012, and cash used in operations during the second quarter of 2012 was \$0.2 million.

Company Outlook

Given the recently announced management transition, the Company is suspending its financial guidance until it hires a new Chief Executive Officer and that person is comfortable resuming guidance.

Conference Call

AtriCure will host a conference call at 4:30 p.m. Eastern Time on Thursday, August 2, 2012 to discuss its second quarter 2012 financial results. A live webcast of the conference call will be available online from the investor relations page of AtriCure's corporate website at www.atricure.com.

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

<https://www.theconferencingservice.com/prereg/key.process?key=PK4YA7CQL>

You may also access this call through an operator by calling (888) 680-0865 for domestic callers and (617) 213-4853 for international callers at least 15 minutes prior to the call start time using reservation code 16753863.

The webcast will be available on AtriCure's website and a telephonic replay of the call will also be available through September 2, 2012. The replay dial-in numbers are (888) 286-8010 for domestic callers and (617) 801-6888 for international callers. The reservation code is 64571881.

About AtriCure, Inc.

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

Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements that address activities, events or developments that AtriCure expects, believes or anticipates will or may occur in the future, such as earnings estimates, other predictions of financial performance, launches by AtriCure of new products and market acceptance of AtriCure’s products. Forward-looking statements are based on AtriCure’s experience and perception of current conditions, trends, expected future developments and other factors it believes are appropriate under the circumstances and are subject to numerous risks and uncertainties, many of which are beyond AtriCure’s control. These risks and uncertainties include the rate and degree of market acceptance of AtriCure’s products, AtriCure’s ability to develop and market new and enhanced products, the timing of and ability to obtain and maintain regulatory clearances and approvals for its products, the timing of and ability to obtain reimbursement of procedures utilizing AtriCure’s products, competition from existing and new products and procedures or AtriCure’s ability to effectively react to other risks and uncertainties described from time to time in AtriCure’s SEC filings, such as fluctuation of quarterly financial results, reliance on third party manufacturers and suppliers, litigation or other proceedings, government regulation and stock price volatility. AtriCure does not guarantee any forward-looking statement, and actual results may differ materially from those projected. AtriCure undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Use of Non-GAAP Financial Measures

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

ATRICURE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue	\$18,268	\$16,780	\$35,744	\$32,417
Cost of revenue	5,557	4,502	10,281	8,246
Gross profit	12,711	12,278	25,463	24,171
Operating expenses:				
Research and development expenses	2,885	2,879	6,275	5,823
Selling, general and administrative expenses	11,146	10,170	22,005	20,193
Total operating expenses	14,031	13,049	28,280	26,016
Loss from operations	(1,320)	(771)	(2,817)	(1,845)
Other expense	—	(166)	(121)	(361)
Loss before income tax expense	(1,320)	(937)	(2,938)	(2,206)
Income tax expense	(6)	(9)	(8)	(14)
Net (loss) income	<u>\$ (1,326)</u>	<u>\$ (946)</u>	<u>\$ (2,946)</u>	<u>\$ (2,220)</u>
Basic and diluted net loss per share	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>	<u>\$ (0.18)</u>	<u>\$ (0.14)</u>
Weighted average shares used in computing net loss per common share:				
Basic and diluted	<u>16,132</u>	<u>15,613</u>	<u>16,074</u>	<u>15,505</u>

ATRICURE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)
(Unaudited)

	<u>June 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 13,455	\$ 14,183
Accounts receivable	10,383	9,514
Inventories	6,491	6,563
Other current assets	1,099	933
Total current assets	<u>31,428</u>	<u>31,193</u>
Property and equipment, net	2,653	2,351
Intangible assets	39	45
Long-term investments	1,499	—
Other assets	405	270
Total assets	<u>\$ 36,024</u>	<u>\$ 33,859</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,703	\$ 9,266
Current maturities of debt and capital lease obligations	2,039	1,543
Total current liabilities	<u>11,742</u>	<u>10,809</u>
Long-term debt and capital lease obligations	7,366	4,926
Other liabilities	1,980	2,509
Total liabilities	<u>21,088</u>	<u>18,244</u>
Stockholders' equity:		
Common stock	17	16
Additional paid-in capital	121,172	118,853
Other comprehensive income (loss)	(90)	(37)
Accumulated deficit	<u>(106,163)</u>	<u>(103,217)</u>
Total stockholders' equity	<u>14,936</u>	<u>15,615</u>
Total liabilities and stockholders' equity	<u>\$ 36,024</u>	<u>\$ 33,859</u>

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

	<u>Six Months Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net loss	\$ (2,946)	\$ (2,220)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	1,829	1,538
Depreciation and amortization	1,053	1,078
Write-off of deferred financing costs and discount on long-term debt	—	153
Amortization of deferred financing costs and discount on long-term debt	69	69
(Gain) loss on disposal of equipment	(9)	45
Amortization/accretion on investments	19	—
Change in allowance for doubtful accounts	19	18
Changes in assets and liabilities		
Accounts receivable	(916)	(467)
Inventories	39	(269)
Other current assets	(176)	(254)
Accounts payable and accrued liabilities	(92)	(135)
Other non-current assets and liabilities	(171)	(60)
Net cash used in operating activities	<u>(1,282)</u>	<u>(504)</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(6,692)	(10,016)
Maturities of available-for-sale securities	4,800	6,050
Purchases of equipment	(1,395)	(638)
Net proceeds from the sale of assets	24	89
Net cash used in investing activities	<u>(3,263)</u>	<u>(4,515)</u>
Cash flows from financing activities:		
Proceeds from borrowings of debt	10,000	7,500
Payments on debt and capital leases	(7,063)	(3,278)
Proceeds from stock option exercises	434	1,040
Payment of debt fees	(76)	(76)
Proceeds from issuance of common stock under employee stock purchase plan	372	346
Shares repurchased for payment of taxes on stock awards	(228)	(522)
Net cash provided by financing activities	<u>3,439</u>	<u>5,010</u>
Effect of exchange rate changes on cash and cash equivalents	7	(110)
Net decrease in cash and cash equivalents	<u>(1,099)</u>	<u>(119)</u>
Cash and cash equivalents—beginning of period	9,759	4,231
Cash and cash equivalents—end of period	<u>\$ 8,660</u>	<u>\$ 4,112</u>

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

Reconciliation of Non-GAAP Adjusted Earnings (Adjusted EBITDA)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2012	2011	2012	2011
Net loss, as reported	\$ (1,326)	\$ (946)	\$ (2,946)	\$ (2,220)
Income tax expense	6	9	8	14
Other expense (a)	—	166	121	361
Depreciation and amortization expense	575	548	1,053	1,078
Share-based compensation expense	1,141	735	1,829	1,538
Non-GAAP adjusted (loss) earnings (adjusted EBITDA)	<u>\$ 396</u>	<u>\$ 512</u>	<u>\$ 65</u>	<u>\$ 771</u>

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2012	2011	2012	2011
(a) Other includes:				
Net interest expense	\$ (199)	\$ (168)	\$ (422)	\$ (472)
Grant income	201	4	262	24
Gain (loss) due to exchange rate fluctuation	(39)	40	(35)	136
Non-employee stock option income (expense)	37	(42)	74	(49)
Other expense	<u>\$ —</u>	<u>\$ (166)</u>	<u>\$ (121)</u>	<u>\$ (361)</u>

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Contact:

AtriCure, Inc.

David J. Drachman

President and Chief Executive Officer

(513) 755-5758

ddrachman@atricure.com

AtriCure Reports Resignation of Chief Executive Officer

WEST CHESTER, Ohio – August 2, 2012 – AtriCure, Inc. (Nasdaq: ATRC), a medical device company and a leader in cardiac surgical ablation systems for the treatment of atrial fibrillation, or AF, and systems for the exclusion of the left atrial appendage, today announced that David J. Drachman, Chief Executive Officer and President of the Company, resigned from his positions with the Company. Mr. Drachman will continue to serve the Company through September 30, 2012. Mr. Drachman's term as a member of the Company's Board of Directors ends effective August 2, 2012.

AtriCure also announced the formation of an Office of the Chairman led by Richard M. Johnston, Chairman of AtriCure's Board of Directors. The Office of the Chairman will assume the responsibilities of Mr. Drachman. In addition to Mr. Johnston, Michael D. Hooven shall serve as a member of the Office of the Chairman. One of AtriCure's founders and a member of the Board since 2000, Mr. Hooven served as the Company's Chief Executive Officer and President from 2000 to 2002.

Richard M. Johnston, Chairman of AtriCure's Board of Directors stated, "On behalf of the Board, management and employees of AtriCure, I would like to thank Mr. Drachman for his dedication and contribution to AtriCure over the past ten years. Dave has been instrumental in helping the company persevere through challenges. It is from his contribution alongside the AtriCure team, that AtriCure is now well-positioned for continued growth and success in expanding the treatment options for atrial fibrillation. We wish him all the best on his future endeavors."

Mr. Johnston continued, "We are highly committed to the execution of our strategic initiatives at AtriCure. As we conduct a search for a new CEO, Mike Hooven and I will work alongside the management team to carry out strategic and operational priorities of the company. I appreciate the support of our partners and associates during this transitional time."

About AtriCure, Inc.

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