

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 March 31, 2012

Commission File No. 000-22166

AETRIUM INCORPORATED
(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

41-1439182

(I.R.S. Employer Identification No.)

2350 Helen Street, North St. Paul, Minnesota
(Address of principal executive offices)

55109
(Zip Code)

(651) 770-2000

(Registrant's telephone number including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by a checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of Common Stock, \$.001 par value,
outstanding on April 30, 2012

10,781,451

AETRIUM INCORPORATED

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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

AETRIUM INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share data)

ASSETS

	March 31, 2012	December 31, 2011
Current assets:		
Cash and cash equivalents	\$ 4,630	\$ 5,008
Accounts receivable, net of allowance for doubtful accounts of \$30 at March 31, 2012 and December 31, 2011	847	1,324
Inventories	7,505	7,731
Other current assets	115	53
Total current assets	<u>13,097</u>	<u>14,116</u>
Property and equipment, net	192	109
Other asset	27	30
Total assets	<u>\$ 13,316</u>	<u>\$ 14,255</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Capital lease obligation – current portion	\$ 28	\$ —
Trade accounts payable	419	506
Accrued compensation	224	323
Other accrued liabilities	462	728
Total current liabilities	<u>1,133</u>	<u>1,557</u>
Capital lease obligation – noncurrent portion	57	—
Accrued liabilities - noncurrent	256	256
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$.001 par value; 30,000,000 shares authorized; 10,781,451 shares issued and outstanding	11	11
Additional paid-in capital	65,436	65,385
Accumulated deficit	<u>(53,577)</u>	<u>(52,954)</u>
Total shareholders' equity	<u>11,870</u>	<u>12,442</u>
Total liabilities and shareholders' equity	<u>\$ 13,316</u>	<u>\$ 14,255</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

AETRIUM INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)

	Three months ended	
	March 31,	
	2012	2011
Net sales	\$ 1,890	\$ 1,860
Cost of goods sold	969	821
Gross profit	<u>921</u>	<u>1,039</u>
Operating expenses:		
Selling, general and administrative	1,117	1,179
Research and development	429	603
Total operating expenses	<u>1,546</u>	<u>1,782</u>
Loss from operations	(625)	(743)
Interest income, net	2	13
Loss before income taxes	<u>(623)</u>	<u>(730)</u>
Income taxes	—	—
Net loss	<u>\$ (623)</u>	<u>\$ (730)</u>
Loss per share – basic and diluted	\$ (0.06)	\$ (0.07)
Weighted average common shares outstanding – basic and diluted	10,781	10,781

The accompanying notes are an integral part of the condensed consolidated financial statements.

AETRIUM INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(in thousands)

	Three months ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net loss	\$ (623)	\$ (730)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	16	15
Share-based compensation expense	51	113
Changes in assets and liabilities:		
Accounts receivable	477	(382)
Inventories	226	(1,518)
Other current assets	(62)	(33)
Other asset	3	3
Trade accounts payable	(87)	316
Accrued compensation	(99)	(101)
Other accrued liabilities	(266)	47
Net cash used in operating activities	(364)	(2,270)
Cash flows from investing activities:		
Purchase of property and equipment	(10)	—
Collection of note receivable	—	26
Net cash provided by (used in) investing activities	(10)	26
Cash flows from financing activities:		
Payment on capital lease	(4)	—
Net cash used by financing activities	(4)	—
Net decrease in cash and cash equivalents	(378)	(2,244)
Cash and cash equivalents at beginning of period	5,008	10,033
Cash and cash equivalents at end of period	\$ 4,630	\$ 7,789
Supplemental cash flow information:		
Equipment acquired by capital lease	\$ 89	\$ —

The accompanying notes are an integral part of the condensed consolidated financial statements.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The condensed consolidated balance sheet at December 31, 2011 has been derived from our audited financial statements. In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments (consisting only of normal, recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. The results of operations for the three months ended March 31, 2012 are not necessarily indicative of the operating results to be expected for the full year or any future period.

The accompanying unaudited condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted, pursuant to such rules and regulations. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and accompanying footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2011.

2. INCOME (LOSS) PER COMMON SHARE

Basic and diluted loss per common share is computed by dividing net loss by the weighted-average number of common shares outstanding during each period. The computation of diluted loss per share excludes the impact of stock options because they would be antidilutive.

3. INVENTORIES

Inventories are comprised of the following (in thousands):

	March 31, 2012	December 31, 2011
Purchased parts and completed subassemblies	\$ 3,470	\$ 3,688
Work-in-process	509	571
Finished goods, including saleable demonstration equipment	3,526	3,472
Total inventories	<u>\$ 7,505</u>	<u>\$ 7,731</u>

4. OTHER ACCRUED LIABILITIES

Other accrued liabilities are comprised of the following (in thousands):

	March 31, 2012	December 31, 2011
Accrued commissions	\$ 44	\$ 132
Accrued severance and related costs	204	326
Accrued retirement benefits – current portion	97	133
Accrued warranty	42	42
Other	75	95
Total other accrued liabilities	<u>\$ 462</u>	<u>\$ 728</u>

In January 2012, as a part of expense reduction measures taken to address weak semiconductor industry conditions and in order to reduce our expense structure to be better aligned with expected sales levels, we terminated 16 employees in manufacturing, sales, administration and engineering. We recorded a charge of \$159,000 for severance and related costs in the quarter ended March 31, 2012 related to this workforce reduction. Of this amount, \$46,000 was outstanding at March 31, 2012. Accrued severance and related costs at March 31, 2012 also included \$19,000 for outstanding payments related to a workforce reduction implemented in September 2011 and \$139,000 for amounts owing under a separation agreement executed in December 2011 with our former president/chief executive officer. Total accrued severance and related costs of \$204,000 at March 31, 2012 are scheduled to be paid approximately as follows: \$114,000 by June 30, 2012; \$57,000 by September 30, 2012; the balance of \$33,000 by November 30, 2012.

Accrued retirement benefits for our chief executive officer and chief administrative officer amounted to approximately \$344,000 (\$97,000 current, \$247,000 noncurrent) at March 31, 2012 and \$380,000 (\$133,000 current, \$247,000 noncurrent) at December 31, 2011. The current portion of accrued retirement benefits is included in "Other accrued liabilities" and the noncurrent portion is included in "Accrued liabilities - noncurrent" in our condensed consolidated balance sheet.

In November 2011, Joseph C. Levesque, the chairman of our board of directors, was appointed to serve as president and chief executive officer on an interim basis pending the appointment of a permanent replacement for these positions. We entered into an employment agreement with Mr. Levesque that provides for the payment of a majority of his base salary to be deferred until 2013. The current portion of amounts deferred under this agreement (\$33,000 at March 31, 2012 and \$0 at December 31, 2011) is included in "Accrued Compensation" and the noncurrent portion (\$9,000 at March 31, 2012 and December 31, 2011) is included in "Accrued liabilities - noncurrent" in our condensed consolidated balance sheet.

Changes in accrued warranty are summarized below (in thousands):

	Three months ended	
	March 31,	
	2012	2011
Accrual balance, beginning of period	\$ 42	\$ 64
Accruals for warranties	3	8
Settlements made	(3)	(24)
Accrual balance, end of period	\$ 42	\$ 48

5. CAPITAL LEASE

In February 2012, we entered into an agreement to lease certain data processing equipment. The agreement provides for monthly payments of \$2,634 plus applicable sales taxes over three years. At the end of the three year term, we have the option to purchase the equipment for \$200. We recorded this transaction as a capital lease in the amount of \$89,000, the fair value of the related equipment. As of March 31, 2012 the capitalized lease obligation amounted to approximately \$85,000 (\$28,000 current, \$57,000 noncurrent).

6. STOCK INCENTIVE PLAN AND SHARE-BASED COMPENSATION

The following table summarizes stock option activity under our stock incentive plan for the three months ended March 31, 2012:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term	Aggregate Intrinsic Value (in thousands)
Outstanding, January 1, 2012	1,275,640	\$ 2.32		
Options granted	1,019,319	0.78		
Options forfeited	(63,344)	2.35		
Options expired	(93,020)	2.31		
Outstanding, March 31, 2012	<u>2,138,595</u>	<u>\$ 1.58</u>	<u>3.2 years</u>	<u>\$ 25</u>
Exercisable, March 31, 2012	<u>869,922</u>	<u>\$ 2.30</u>	<u>1.2 years</u>	<u>\$ —</u>

All stock options outstanding at March 31, 2012 are nonqualified options that expire five years after the grant date and of which 509,659 become exercisable in monthly increments over one year and of which 1,628,936 become exercisable over four years from the grant date. The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between Aetrium's closing stock price on March 31, 2012 and the option exercise price) of all in-the-money stock options that would have been received by the option holders had they exercised their options on March 31, 2012.

Aetrium uses the fair value method to measure and recognize share-based compensation. We determine the fair value of share-based awards on the grant date using the Black-Scholes option valuation model and recognize the compensation expense on a straight-line basis over the vesting period of the applicable awards.

In March 2012, pursuant to our 2003 Stock Incentive Plan, we granted stock options to purchase 1,019,319 shares of our common stock at an exercise price of \$0.775 per share, the fair market value of the common stock on the date of the grants. Each stock option agreement provides that one-half of the option shares vest in equal monthly increments over one year and that one-half of the option shares vest in equal monthly increments over four years. All options expire five years after the grant date. Using the Black-Scholes valuation model, the fair value of the options granted was determined to be \$0.25 per share or approximately \$254,000, which amount is being expensed over the applicable vesting periods. Assumptions used in applying the Black-Scholes option-pricing model to determine the fair value of the options granted were as follows:

Expected stock price volatility	45%
Risk-free interest rate	0.6%
Expected dividend level	0%
Expected life of options (years)	3.1

Share-based compensation expense included in our condensed consolidated statements of operations was as follows (in thousands):

	Three months ended March 31,	
	2012	2011
Cost of goods sold	\$ 5	\$ 16
Selling, general and administrative	36	72
Research and development	10	25
Total share-based compensation expense	<u>\$ 51</u>	<u>\$ 113</u>

As of March 31, 2012, we had approximately \$0.5 million of unrecognized pretax share-based compensation expense, which is expected to be recognized over a weighted average period of 2.4 years.

7. INCOME TAXES

We record the benefit we will derive in future accounting periods from tax losses and credits and deductible temporary differences as "deferred tax assets." In accordance with ASC 740, "Income Taxes," we record a valuation allowance to reduce the carrying value of our deferred tax assets if, based on all available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Since 2009, we have maintained a valuation allowance to fully reserve our deferred tax assets. We recorded a full valuation allowance in 2009 because we determined there was not sufficient positive evidence regarding our potential for future profits to outweigh the negative evidence of our three year cumulative loss position at that time under the guidance provided in ASC 740. We expect to continue to maintain a full valuation allowance until we determine that we can sustain a level of profitability that demonstrates our ability to realize these assets. To the extent we determine that the realization of some or all of these benefits is more likely than not based upon expected future taxable income, a portion or all of the valuation allowance will be reversed. Such a reversal would be recorded as an income tax benefit and, for some portion related to deductions for stock option exercises, an increase in shareholders' equity.

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

Overview

Aetrium designs, manufactures and markets a variety of electromechanical equipment used in the handling and testing of integrated circuits, or ICs, which constitute the highest revenue component of the semiconductor industry. Our primary focus is on high volume ICs, the latest IC package designs, and ICs using advanced geometry designs. Our test handler products are purchased primarily by semiconductor manufacturers and their assembly and test subcontractors and are used in the test, assembly and packaging, or TAP, segment of semiconductor manufacturing. Our reliability test products are used to validate IC designs and evaluate and improve semiconductor wafer fabrication processes, and are used in advanced reliability test labs at wafer manufacturing sites. Our products automate critical functions to improve manufacturing yield, raise quality levels, increase product reliability and reduce manufacturing costs.

Demand for Aetrium's test handler products is driven primarily by worldwide demand for ICs, which in turn depends on end-user demand for electronic products. Demand for Aetrium's reliability test products is less sensitive to fluctuations in IC demand and is driven more by technological change in IC design and manufacturing processes. The demand for our products can fluctuate significantly from period to period due to the direct or indirect impact of numerous factors, including but not limited to changes in the supply and demand for ICs, changes in IC manufacturing capacity, advancements in industry technologies, changes in U.S. and worldwide economic conditions and competitive factors.

The worldwide financial crisis and economic recession that began to unfold in 2008 led to a significant decrease in the sales of electronic products and one of the most severe downturns ever in our industry. In mid-2009, general economic conditions began to improve and the semiconductor industry began a slow and uneven recovery. Demand for ICs improved in 2010 and many IC manufacturers expanded their production capacity. However, by the end of the year, IC demand had weakened and IC production decreased significantly late in the year. Aetrium's results generally followed the trend of our industry. In the first nine months of 2010, our net sales increased substantially over the prior year before declining significantly in the fourth quarter as business conditions weakened. Despite the sharp drop-off in sales in the fourth quarter, our net sales for fiscal year 2010 totaled \$16.3 million compared with \$8.6 million in 2009.

In 2011, worldwide economic uncertainty contributed to relatively flat and inconsistent business conditions in the semiconductor industry. IC production growth resumed in the first half of the year but leveled off in the third quarter and then decreased significantly in the fourth quarter, having never reached the previous peak production levels of 2010. As a result, many manufacturers operated at less than full capacity throughout the year and many semiconductor equipment manufacturers experienced reduced sales in 2011 compared with 2010. Sales of our test handler products decreased dramatically in 2011 as many of our customers operated with excess production capacity throughout the year and required new equipment for only their fastest growing products. Sales of our reliability test equipment and change kits/spare parts increased slightly in 2011 despite the generally weak industry conditions. Our total sales declined to \$9.0 million in 2011 as a result of a 75% decrease in test handler sales.

Generally weak semiconductor industry conditions characterized by high inventories and excess production capacity continued into early 2012. Our net sales in the first quarter of 2012 were \$1.9 million, approximately flat with sales for the same period in 2011.

Some industry analysts have recently indicated that IC demand and production are increasing and predict that IC unit growth will continue in 2012. However, we believe excess production capacity in the industry needs to be absorbed before meaningful increases in the purchases of production-based equipment occur. We believe business conditions will improve for Aetrium in the second half of 2012. However, a worsening or prolonged continuation of the slowdown in our industry would likely adversely impact the demand for and prices of our products, and in particular our test handler products, and adversely affect our future operating results and cash flows.

Critical Accounting Policies

Aetrium's critical accounting policies are disclosed in our most recent Annual Report on Form 10-K for the year ended December 31, 2011. There were no changes in such policies during the three months ended March 31, 2012.

Results of Operations

Net Sales. Net sales for the three months ended March 31, 2012 were \$1.9 million, approximately flat with sales for the same period in 2011. Sales of test handlers were \$0.5 million in the three months ended March 31, 2012 compared with \$0.1 million for the same period in 2011. Sales of change kits and spare parts were \$0.3 million in the three months ended March 31, 2012 compared with \$0.8 million for the same period in 2011. Sales of test handlers, although higher than the prior year, and sales of change kits continued to be impacted by semiconductor industry conditions characterized by relatively flat IC demand and excess production capacity that existed during fiscal year 2011 and continued into 2012. Sales of reliability test equipment products, which are driven more by technology factors and less by IC demand and production capacity, were \$1.1 million in the three months ended March 31, 2012 compared with \$1.0 million for the same period in 2011.

Gross Profit. Aetrium's gross profit as a percentage of net sales can fluctuate based on a number of factors, including but not limited to the mix of products sold, distribution channel mix, price discounting, product maturity, inventory writedowns, and the utilization of our manufacturing capacity based upon varying production levels. Gross profit was 48.7% of net sales in the three months ended March 31, 2012 compared with 55.9% for the same period in 2011. Our gross margin decreased in 2012 primarily due to a less favorable product mix and a \$48,000 charge recorded for severance costs related to a workforce reduction implemented in January 2012. Test handlers, which are generally lower margin sales than reliability test equipment and spare parts/change kits, represented 26% of total net sales in the first three months of 2012 compared with 7% for the same period in 2011. Reliability test equipment sales represented 57% of total net sales in the first three months of 2012 compared with 53% for the same period in 2011 and spares/change kit sales represented 17% of total net sales in the first three months of 2012 compared with 40% for the same period in 2011.

Selling, General and Administrative. Selling, general and administrative (S, G & A) expenses for the three months ended March 31, 2012 were \$1.1 million compared with \$1.2 million for the comparable period in 2011, a decrease of 5%. The decrease in S, G & A expenses from the prior year was primarily attributable to lower wages and share-based compensation expense resulting from reductions in personnel and lower travel costs, partially offset by higher commission expense and a \$39,000 charge for severance costs related to a workforce reduction we implemented in January 2012.

Research and Development. Research and development expenses for the three months ended March 31, 2012 were \$0.4 million compared with \$0.6 million for the comparable period in 2011, a 29% decrease. The decrease from the prior year was primarily attributable to lower wages resulting from reductions in personnel, and lower contract services, travel, and materials expense, partially offset by a \$72,000 charge for severance costs related to a workforce reduction we implemented in January 2012. Research and development expenses represented 22.7% of total net sales for the three month period

ended March 31, 2012 compared with 32.4% of total net sales for the comparable period in 2011. New product development is an essential part of our strategy to gain market share. Over time, we expect to invest approximately 12% to 15% of our net sales in research and development, although we may exceed this range in periods of relatively low net sales, as was the case during the three months ended March 31, 2012 and 2011.

Interest Income, net. Interest income, net amounted to approximately \$2,000 and \$13,000 for the three months ended March 31, 2012 and 2011, respectively. These amounts consisted primarily of interest income from the investment of excess funds. The decrease in interest income in 2012 resulted primarily from lower average invested cash balances.

Income Taxes. We recorded no income tax benefit or expense for the three month periods ended March 31, 2012 and 2011. Since 2009, we have maintained a valuation allowance to fully reserve our deferred tax assets. We expect to continue to maintain a full valuation allowance until we determine that we can sustain a level of profitability that demonstrates our ability to realize these assets. To the extent we determine that the realization of some or all of these benefits is more likely than not based upon expected future taxable income, a portion or all of the valuation allowance will be reversed. Such a reversal would be recorded as an income tax benefit and, for some portion related to deductions for stock option exercises, an increase in shareholders' equity.

Financial Condition, Liquidity and Capital Resources

Cash and cash equivalents decreased by approximately \$0.4 million in the three months ended March 31, 2012. We used \$0.4 million of cash to fund operating activities during this period, including our net loss of \$0.6 million, partially offset by non-cash depreciation and share-based compensation expense of \$0.1 million and \$0.2 million in working capital changes. Working capital changes generating cash consisted primarily of a \$0.5 million decrease in accounts receivable and a \$0.2 million decrease in inventories, partially offset by decreases of \$0.1 million in each of accounts payable, accrued compensation and accrued severance costs. Accounts receivable decreased due to a decrease in net sales in the first quarter of 2012 compared with the fourth quarter of 2011 and the timing of collections. Inventories and accounts payable decreased due to reduced inventory purchases in the first quarter of 2012 compared with the fourth quarter of 2011. Net cash flows used in investing and financing activities in the three months ended March 31, 2012 were not significant.

Cash and cash equivalents decreased by approximately \$2.2 million in the three months ended March 31, 2011. We used \$2.3 million of cash to fund operating activities during this period, including our net loss of \$0.7 million and \$1.7 million in working capital changes, partially offset by \$0.1 million in non-cash depreciation and share-based compensation expense. Working capital changes using cash consisted primarily of a \$0.4 million increase in accounts receivable and a \$1.5 million increase in inventories, partially offset by a \$0.3 million increase in accounts payable. The increase in inventories reflected an increase in inventories related to our new V_{MAX} eight-site test handler to meet anticipated sales demand and demo/evaluation unit requirements for potential new accounts. Net cash flows from investing and financing activities in the three months ended March 31, 2011 were not significant.

Historically we have supported our capital expenditure and working capital needs with cash generated from operations and our existing cash and cash equivalents. We believe our cash balance of \$4.6 million at March 31, 2012 will be sufficient to meet capital expenditure and working capital requirements for at least the next twelve months. Our revolving credit line agreement with a bank expired on March 31, 2012. We have had discussions with the bank regarding a potential new agreement and are exploring other potential sources of working capital financing as well. There can be no assurance that we will obtain a credit line with terms favorable to us or at all or that funds will be available to us under any financing agreement. As discussed above, semiconductor industry conditions weakened in the second half of 2011 and the slowdown has continued into 2012. A worsening or prolonged continuation of the slowdown would likely adversely

impact the demand for and prices of our products and adversely affect our future operating results and cash flows. Also, as we continue to monitor the industry and customer needs, we may acquire other companies, product lines or technologies that are complementary to our business, and our working capital needs may change as a result of such acquisitions.

Item 4. Controls and Procedures

Our chief executive officer, our chief administrative officer and our treasurer conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on their evaluation, they concluded that our disclosure controls and procedures were effective as of March 31, 2012, the end of the period covered by this quarterly report. There were no changes in our internal control over financial reporting that occurred during the first quarter of 2012 that have materially affected, or are reasonably likely to materially affect, Aetrium's internal control over financial reporting.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In designing and operating a control system, one must consider the potential benefits of controls relative to their costs and the reality of limited resources available to allocate to control activities, particularly in smaller companies. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any control will meet its objectives under all potential future conditions. Because of such inherent limitations in any control system, there can be no absolute assurance that control issues, misstatements, and/or fraud will be prevented or detected.

AETRIUM INCORPORATED

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

Except as previously disclosed in our Current Report on Form 8-K dated April 23, 2012, there have not been any material changes to the risk factors disclosed in our Form 10-K for the year ended December 31, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults on Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

- 31.1 Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification by Chief Administrative Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.3 Certification by Treasurer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS * XBRL Instance Document
- 101.SCH * XBRL Taxonomy Extension Schema
- 101.CAL * XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF * XBRL Taxonomy Extension Definition Linkbase
- 101.LAB * XBRL Taxonomy Extension Label Linkbase
- 101.PRE * XBRL Taxonomy Extension Presentation Linkbase

* Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, and shall not be deemed part of a registration statement, prospectus or other document filed under Sections 11 or 12 of the Securities Act of 1933, as amended, or otherwise subject to the liability of those sections, except as shall be expressly set forth by specific reference in such filings.

AETRIUM INCORPORATED

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.

AETRIUM INCORPORATED
(Registrant)

Date: May 10, 2012

By: /s/ Joseph C. Levesque
Joseph C. Levesque
President and Chief Executive Officer

Date: May 10, 2012

By: /s/ Paul H. Askegaard
Paul H. Askegaard
Treasurer (principal financial and
accounting officer)

Certification by Chief Executive Officer

I, Joseph C. Levesque, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aetrium Incorporated;
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 officers 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 officers 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: May 10, 2012

/s/ Joseph C. Levesque
Joseph C. Levesque
President and Chief Executive Officer

Certification by Chief Administrative Officer

I, Douglas L. Hemer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aetrium Incorporated;
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 officers 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 officers 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: May 10, 2012

/s/ Douglas L. Hemer _____
Douglas L. Hemer
Chief Administrative Officer

Certification by Treasurer

I, Paul H. Askegaard, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aetrium Incorporated;
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 officers 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 officers 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: May 10, 2012

/s/ Paul H. Askegaard
Paul H. Askegaard
Treasurer (principal financial and accounting 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 Aetrium Incorporated (“the Company”) on Form 10-Q for the quarterly period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Joseph C. Levesque, as Chief Executive Officer of the Company, Douglas L. Hemer, as Chief Administrative Officer of the Company, and Paul H. Askegaard, as Treasurer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant 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: May 10, 2012

/s/ Joseph C. Levesque
Joseph C. Levesque
President and Chief Executive Officer

Date: May 10, 2012

/s/ Douglas L. Hemer
Douglas L. Hemer
Chief Administrative Officer

Date: May 10, 2012

/s/ Paul H. Askegaard
Paul H. Askegaard
Treasurer (principal financial and accounting officer)