

CARDIONET INC
Form DEF 14A
March 30, 2009

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

CARDIONET, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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- o Fee paid previously with preliminary materials.

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-

CARDIONET, INC.
227 Washington Street #300
Conshohocken, Pennsylvania 19428

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 8, 2009

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of **CARDIONET, INC.**, a Delaware corporation (the "Company"). The meeting will be held on Friday, May 8, 2009 at 9:00 a.m. local time at the Philadelphia Marriott West located at 111 Crawford Avenue, West Conshohocken, Pennsylvania 19428 for the following purposes:

1. To elect as Class II directors to hold office until the 2012 Annual Meeting of Stockholders, the following two nominees recommended by the Board of Directors: Randy H. Thurman and Kirk E. Gorman.
2. To ratify the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP, Independent Registered Public Accounting Firm, as independent auditors of the Company for its fiscal year ending December 31, 2009.
3. To consider and vote upon an amendment to the CardioNet, Inc. 2008 Non-Employee Directors' Stock Option Plan (the "Director Plan") and all outstanding options granted thereunder to date to extend the post-termination exercise period for vested options from three months following the director's termination of service to the remainder of the option term in effect at the time of the director's termination of service.
4. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the Annual Meeting is March 16, 2009. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

By Order of the Board of Directors

Martin P. Galvan
Secretary

Date: March 30, 2009
Conshohocken, Pennsylvania

You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy, or vote over the telephone or the Internet as instructed in these materials, as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy and are a record holder of your shares, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

CARDIONET, INC.
227 Washington Street #300
Conshohocken, Pennsylvania 19428

**PROXY STATEMENT
FOR THE 2009 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 8, 2009**

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We have sent you this proxy statement and the enclosed proxy card because the Board of Directors of **CARDIONET, INC.** (sometimes referred to as the "Company" or "CardioNet") is soliciting your proxy to vote at the 2009 Annual Meeting of Stockholders, including at any adjournments or postponements of the meeting. You are invited to attend the annual meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card, or follow the instructions below to submit your proxy over the telephone or on the Internet.

The Company intends to mail this proxy statement and accompanying proxy card on or about March 30, 2009 to all stockholders of record entitled to vote at the annual meeting.

Who can vote at the annual meeting?

Only stockholders of record at the close of business on March 16, 2009 will be entitled to vote at the annual meeting. On this record date, there were 23,731,126 shares of common stock of the Company ("Common Stock") outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on March 16, 2009 your shares were registered directly in your name with the Company's transfer agent, American Stock Transfer & Trust Company, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card or vote by proxy over the telephone or on the Internet as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on March 16, 2009 your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the annual meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

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What am I voting on?

There are three matters scheduled for a vote:

Election as Class II directors to hold office until the 2012 Annual Meeting of Stockholders, the following two nominees recommended by the Board of Directors: Randy H. Thurman and Kirk E. Gorman;

Ratification of the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP, Independent Registered Public Accounting Firm, as independent auditors of the Company for its fiscal year ending December 31, 2009; and

Approval of an amendment to the Director Plan and all outstanding options granted thereunder to date to extend the post-termination exercise period for vested options from three months following the director's termination of service to the remainder of the option term in effect at the time of the director's termination of service.

How do I vote?

You may either vote "For" both nominees to the Board of Directors or you may "Withhold" your vote for any nominee you specify. For each of the other matters to be voted on, you may vote "For" or "Against" or abstain from voting. The procedures for voting are fairly simple:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the annual meeting, vote by proxy using the enclosed proxy card, vote by proxy over the telephone, or vote by proxy on the Internet. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person even if you have already voted by proxy.

To vote in person, come to the annual meeting and we will give you a ballot when you arrive.

To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the annual meeting, we will vote your shares as you direct.

To vote over the telephone, dial toll-free 1-800-PROXIES (or 1-718-921-8500 if dialing from a foreign country) using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 12:00 midnight, Eastern time on May 7, 2009 to be counted.

To vote on the Internet, go to <http://www.voteproxy.com> to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 12:00 midnight, Eastern time, on May 7, 2009 to be counted.

We provide Internet proxy voting to allow you to vote your shares on-line, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from CardioNet. Simply complete and mail the proxy card to ensure that your vote is submitted to your broker or bank. Alternatively, you may vote by telephone or over the Internet as instructed by your broker or bank. To vote in person at the annual meeting, you must

obtain a valid proxy from your broker, bank, or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of Common Stock you own as of March 16, 2009.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted "For" the election of the nominees for director, "For" the ratification of the selection of Ernst & Young LLP, Independent Registered Public Accounting Firm, as the Company's independent auditors for the fiscal year ending December 31, 2009, and "For" the approval of an amendment to the Director Plan and all outstanding options granted thereunder to date to extend the post-termination exercise period for vested options from three months following the director's termination of service to the remainder of the option term then in effect at the time of the director's termination of service. If any other matter is properly presented at the meeting, your proxyholder (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

The Company will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return **each** proxy card to ensure that all of your shares are voted.

Are proxy materials available on the internet?

This proxy statement and our 2008 annual report to stockholders are available at <http://www.cardionet.com> in the "Investor Relations" section.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

You may submit another properly completed proxy card with a later date.

You may send a timely written notice that you are revoking your proxy to CardioNet's Secretary at 227 Washington Street #300, Conshohocken, Pennsylvania 19428.

You may attend the annual meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

When are stockholder proposals due for next year's annual meeting?

To be considered for inclusion in next year's proxy materials or if you wish to submit a proposal that is not to be included in next year's proxy materials or to nominate a director, you must submit such proposal, nomination or other matter in writing to CardioNet's Secretary at 227 Washington Street #300, Conshohocken, Pennsylvania 19428 not later than the close of business on February 7, 2010 nor earlier than the close of business on January 8, 2010; provided, however, that in the event that the date of the 2010 Annual Meeting changes more than 30 days from May 8, 2010, your written proposal must be delivered not earlier than the close of business on the 120th day prior to the date of the 2010 Annual Meeting and not later than the close of business on the later of the 90th day prior to the date of the 2010 Annual Meeting or the 10th day following the day on which public announcement of the date of the 2010 Annual Meeting is first made by the Company. A stockholder proposal will need to comply with the Securities and Exchange Commission regulations under Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "1934 Act"), regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Although our Board of Directors will consider stockholder proposals, we reserve the right to omit from our proxy statement, or to vote against, stockholder proposals that we are not required to include under the Exchange Act, including Rule 14a-8.

Your notice to the Secretary shall set forth: (A) your name and address, and the class and number of shares of the Company's Common Stock which you beneficially own; (B) whether you intend to deliver a proxy statement and form of proxy to the holders of at least the number of shares of the Company necessary to carry the proposal, or in the case of a nomination for director, a sufficient number of shares of the Company necessary to elect such nominee; (C) as to each person whom you propose to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act and Rule 14a-4(d) thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (D) as to any other business that you propose to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest you have in such business.

For more information, please refer to the Company's Bylaws filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1 (File No. 33-145547) originally filed with the United States Securities and Exchange Commission on August 17, 2007.

How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count "For" and "Withhold" and, with respect to proposals other than the election of directors, "Against" votes, abstentions and broker non-votes. Abstentions will be counted towards the vote total for each proposal, and will have the same effect as "Against" votes. Broker non-votes have no effect and will not be counted towards the vote total for any proposal.

What are "broker non-votes"?

Broker non-votes occur when a beneficial owner of shares held in "street name" does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed "non-routine." Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the shares with respect to matters that are considered to be "routine," but not with respect to "non-routine" matters. Under the rules and interpretations of the New York Stock Exchange, "non-routine" matters are generally those

involving a contest or a matter that may substantially affect the rights or privileges of shareholders, such as mergers or stockholder proposals.

How many votes are needed to approve each proposal?

For the election of directors, who are elected by a plurality, the two nominees receiving the most "For" votes (from the holders of votes of shares present in person or represented by proxy and entitled to vote on the election of directors) will be elected. Only votes "For" or "Withheld" will affect the outcome.

To be approved, Proposal No. 2, ratification of the selection of Ernst & Young LLP, Independent Registered Public Accounting Firm, as our independent auditors for the fiscal year ending December 31, 2009, must receive a "For" vote from the majority of shares present and entitled to vote either in person or by proxy. If you "Abstain" from voting, it will have the same effect as an "Against" vote. Broker non-votes will have no effect.

To be approved, Proposal No. 3, approval of an amendment to the Director Plan and all outstanding options granted thereunder to date to extend the post-termination exercise period for vested options from three months following the director's termination of service to the remainder of the option term then in effect at the time of the director's termination of service, must receive a "For" vote from the majority of shares present and entitled to vote either in person or by proxy. If you "Abstain" from voting, it will have the same effect as an "Against" vote. Broker non-votes will have no effect.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if stockholders holding at least a majority of the outstanding shares are present at the meeting in person or represented by proxy. On the record date, there were 23,731,126 shares outstanding and entitled to vote. Thus, the holders of 11,865,564 shares must be present in person or represented by proxy at the meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the holders of a majority of shares present at the meeting in person or represented by proxy or the chairman of the meeting may adjourn the meeting to another date.

How can I find out the results of the voting at the annual meeting?

Preliminary voting results will be announced at the annual meeting. Final voting results will be published in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2009.

PROPOSAL 1

ELECTION OF DIRECTORS

Our Board of Directors currently consists of seven authorized members and is divided into three classes, each of which has a three year term. Class I consists of two directors, Class II consists of three directors and Class III consists of two directors. Vacancies on the Board of Directors may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board of Directors to fill a vacancy in a class, including vacancies created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is elected and qualified.

The Board of Directors currently has seven members and there are currently three directors serving as Class II directors: Randy H. Thurman, Kirk E. Gorman and Woodrow A. Myers, Jr., M.D. The term of office of the Class II directors expires in 2009. We are nominating Randy H. Thurman and Kirk E. Gorman for re-election at the 2009 Annual Meeting. Messrs. Gorman and Thurman were appointed by the Board of Directors in August and July 2008, respectively. If elected at the annual meeting, each of these nominees would serve until the 2012 annual meeting and until his successor is elected and has qualified, or, if sooner, until the director's death, resignation or removal. It is the Company's policy to invite directors and nominees for director to attend the annual meeting.

Harry Rein, formerly a Class I director, resigned from our Board of Directors effective August 4, 2008, and Arie Cohen, formerly a Class III director, resigned from our Board of Directors effective January 22, 2009. Woodrow A. Myers Jr., M.D., currently a Class II director, is not standing for re-election at the 2009 Annual Meeting. Thus, following the election of Messrs. Thurman and Gorman at the 2009 Annual Meeting, it is expected that there will be one vacancy in each of the Class I, Class II, and Class III directors, and we are seeking to identify individuals to fill these vacancies. All of our Directors attended our 2008 Annual Meeting of Stockholders.

Directors are elected by a plurality of the votes of the holders of shares present in person or represented by proxy and entitled to vote on the election of directors. The two nominees receiving the most "For" votes (among votes properly cast in person or by proxy) will be elected. If no contrary indication is made, shares represented by executed proxies will be voted "For" the election of the two nominees named above or, if either nominee becomes unavailable for election as a result of an unexpected occurrence, "For" the election of a substitute nominee designated by our Board of Directors. Each nominee has agreed to serve as a director if elected, and we have no reason to believe that any nominee will be unable to serve.

The Board Of Directors Recommends

A Vote In Favor Of Each Named Nominee.

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The following is a brief biography for each nominee for Class II director and each person whose term of office as a Class I or Class III director will continue after the annual meeting.

Name	Age	Position
Directors:		
Class I Directors:		
Ronald A. Ahrens(2),(3)	69	Director
Fred Middleton(1)	59	Director
Class II Directors:		
Kirk E. Gorman(1)	58	Director
Randy H. Thurman	59	Director, Chairman, President and Chief Executive Officer
Class III Directors:		
Eric N. Prystowsky, M.D.(2),(3)	61	Director
Robert J. Rubin, M.D.(2),(3)	63	Director

-
- (1) Member of the Audit Committee.
 - (2) Member of the Compensation Committee.
 - (3) Member of the Nominating and Corporate Governance Committee.

NOMINEES FOR ELECTION FOR A THREE-YEAR TERM EXPIRING AT THE 2012 ANNUAL MEETING

Kirk E. Gorman. Mr. Gorman has been a member of our Board of Directors since August 2008. Mr. Gorman has served as the Senior Vice President, Chief Financial Officer of Jefferson Health System, a hospital system in Philadelphia, Pennsylvania since September 2003 and as Chairman of the Board of Directors of Care Investment Trust, a real estate investment trust, since June 2007. Mr. Gorman has also been a member of the Board of Directors and Audit Committee of IASIS Healthcare LLC since February 2004. From April 1987 to March 2003, Mr. Gorman served as the Senior Vice President, Chief Financial Officer of Universal Health Services, Inc, a hospital management company and President, Chief Financial Officer and a member of the Board of Trustees of Universal Health Realty Income Trust, a real estate investment trust specializing in healthcare and human service related facilities. From November 2001 to December 2003 and February 2005 until its acquisition by Cardinal Health, Inc. in July 2007, Mr. Gorman served as a member of the Board of Directors of Viasys Healthcare, Inc. a healthcare technology company. Mr. Gorman received an undergraduate degree from Dartmouth College with distinction and an M.B.A. from the Amos Tuck School of Business.

Randy H. Thurman. Mr. Thurman has served as our Chairman, President and Chief Executive Officer since February 2009 and a member of our Board of Directors since July 2008. Mr. Thurman served as our Interim President and Chief Executive Officer from January to February 2009 and our Executive Chairman from July 2008 to January 2009. Since May 2008 Mr. Thurman has served as an advisor to New Mountain Capital, LLC, a private and public equity investment firm. From July 2007 through June 2008 Mr. Thurman served as a consultant to Cardinal Health, Inc., a global healthcare provider. From April 2001 until its acquisition by Cardinal Health, Inc. in July 2007, Mr. Thurman served as Chief Executive Officer of Viasys Healthcare Inc., a healthcare technology company. Mr. Thurman also served as Chairman of the Board of Directors and President of Viasys Healthcare Inc. from November 2001 and July 2004, respectively, until the time of its acquisition by Cardinal Health, Inc. From 1996 to April 2001, Mr. Thurman served as Chairman and Chief Executive Officer of Strategic Reserves LLC, a privately held company providing funding and strategic direction to healthcare technology companies. From 1993 to 1996, Mr. Thurman was Chairman and CEO of

Corning Life Sciences, Inc., which was a global leader in clinical laboratory testing, pharmaceutical research and esoteric reference testing. Concurrent with the aforementioned positions, Mr. Thurman served as Chairman of the Board of Directors of Enzon Pharmaceuticals, Inc. from 1994 to 2001. From 1984 to 1993, Mr. Thurman held various positions at Rhone-Poulenc Rorer Pharmaceuticals, Inc., a global pharmaceutical company, ultimately as its President. Mr. Thurman received an undergraduate degree in Economics from Virginia Polytechnic Institute and a Master's in Economics from Webster University.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF EACH NOMINEE NAMED ABOVE.

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2010 ANNUAL MEETING

Eric N. Prystowsky, M.D. Dr. Prystowsky has been a member of our Board of Directors since March 2001. Since 1988, Dr. Prystowsky has served as the Director, Clinical Electrophysiology Laboratory at St. Vincent Hospital, Indianapolis Indiana. Since 1988, Dr. Prystowsky has served as Consulting Professor of Medicine at Duke University. Since 2004, he has served as the associate editor of Hurst Textbook of Cardiology and, since January 2004, he has served as editor-in-chief of the Journal of Cardiovascular Electrophysiology. From 1992 to 1994, he served as the Chairman of the American Heart Association's Committee on Electrocardiography and Electrophysiology and, from May 2001 to May 2002, as President of the Heart Rhythm Society. Dr. Prystowsky also served as the Chairman of the ABIM test writing committee for the Electrophysiology Boards until July 2008. Dr. Prystowsky currently serves on the Board of Directors of Stereotaxis, Inc., a biotechnology company. Dr. Prystowsky received an undergraduate degree from the Pennsylvania State University and an M.D. from the Mount Sinai School of Medicine.

Robert J. Rubin, M.D. Dr. Rubin has been a member of our Board of Directors since July 2007. He has been a clinical professor of medicine at Georgetown University since 1995. From 1987 to 2001, he was president of the Lewin Group (purchased by Quintiles Transnational Corp. in 1996), a national health policy and management consulting firm. From 1994 to 1996, Dr. Rubin served as Medical Director of ValueRx, a pharmaceutical benefits company. From 1992 to 1996, Dr. Rubin served as President of Lewin-VHI, a health care consulting company. From 1987 to 1992, he served as President of Lewin-ICF, a health care consulting company. From 1984 to 1987, Dr. Rubin served as a principal for ICF, Inc., a health care consulting company. From 1981 to 1984, Dr. Rubin served as the Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services and as an Assistant Surgeon General in the United States Public Health Service. Dr. Rubin is a board certified nephrologist and internist. Dr. Rubin received an undergraduate degree in Political Science from Williams College and an M.D. from Cornell University.

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2011 ANNUAL MEETING

Ronald A. Ahrens. Mr. Ahrens has been a member of our Board of Directors since August 2008. From 2004 to the present, Mr. Ahrens has served as the Vice Chairman of the Board of Directors and as a member of the Compensation Committee of Temptime Corporation, a healthcare technology company. Previously he served as a member of the Board of Directors and Chairman of the Compensation Committee of Viasys Healthcare Inc., a global medical technology company, from November 2001 until its acquisition in July 2007 for \$1.5 billion by Cardinal Health. Mr. Ahrens' past experience includes serving as Chairman of the Board of Directors of Closure Medical Corporation, a medical devices corporation, from 1999 through June 2004, St. Ives Laboratories, Inc., a hair and skin care company from 1995 to 1997 and from 1990 to 1993 as a member of the Board of Directors of Alcide Corporation, an animal healthcare technology company. Earlier in his career, Mr. Ahrens held various positions with Merck & Co, Inc. a global pharmaceuticals products company, including

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President of Merck Consumer Healthcare Group Worldwide and Executive Vice President of Merck Consumer Healthcare Group International. Mr. Ahrens received an undergraduate degree in English from Concordia College and a Masters in Sacred Theology from Concordia Seminary.

Fred Middleton. Mr. Middleton has been a member of our Board of Directors since April 2000. Since 1987, he has been a General Partner/Managing Director of Sanderling Ventures, a firm specializing in biomedical venture capital. From 1984 through 1986, he was the Managing General Partner of Morgan Stanley Ventures, an affiliate of Morgan Stanley & Co. Earlier in his career, Mr. Middleton was part of the original management team at Genentech, Inc., a biotechnology company, serving there from 1978 through 1984 as Vice President of Finance and Corporate Development, and Chief Financial Officer. He has played active management roles in many biomedical companies, including as Chairman, CEO or director of a number of Sanderling portfolio companies, currently including Stereotaxis, Inc., a medical device company where he serves as Chairman, and Faville, Inc., a biotechnology company where he serves as director, as well as serving as member of the Board of Directors of several private held biomedical companies. Mr. Middleton received an undergraduate degree in Chemistry from the Massachusetts Institute of Technology and an M.B.A. with distinction from Harvard Business School.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

INDEPENDENCE OF THE BOARD OF DIRECTORS

As required under the Nasdaq Stock Market ("Nasdaq") listing standards, a majority of the members of a listed company's Board of Directors must qualify as "independent," as affirmatively determined by the Board of Directors. The Board of Directors consults with the Company's counsel to ensure that the Board of Directors' determinations are consistent with relevant securities and other laws and regulations regarding the definition of "independent," including those set forth in pertinent listing standards of the Nasdaq, as in effect from time to time.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and the Company, its senior management and its independent registered public accounting firm, the Board of Directors has affirmatively determined that the following directors are independent directors within the meaning of the applicable Nasdaq listing standards: Messrs. Ahrens, Gorman, Middleton and Drs. Myers, Prystowsky and Rubin. In making this determination, the Board of Directors found that none of these directors or nominees for director had a material or other disqualifying relationship with the Company. Mr. Thurman, the Company's President and Chief Executive Officer is not an independent director by virtue of his employment with the Company and Mr. Cohen, who resigned as the Company's President and Chief Executive Officer in January 2009, was not an independent director by virtue of his former employment with the Company.

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met nine times during the fiscal year ended December 31, 2008. All directors attended at least 75% of the aggregate of the meetings of the Board of Directors and of the committees on which they served, held during the period for which they were directors or committee members.

INFORMATION REGARDING COMMITTEES OF THE BOARD OF DIRECTORS

During the fiscal year ended December 31, 2008, the Board of Directors of CardioNet maintained three committees; the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. In March 2008, concurrently with the closing of the Company's initial public offering, the Board of Directors replaced the former Compensation Committee with a

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Compensation, Nominating and Corporate Governance Committee. In August 2008, the Board of Directors separated the Compensation, Nominating and Corporate Governance Committee into two separate committees: a Compensation Committee and a Nominating and Corporate Governance Committee. The following table provides membership and meeting information for fiscal year 2008 for each of the committees of the Board of Directors in existence through December 31, 2008:

Name	Audit	Compensation	Nominating and Corporate Governance
Fred Middleton	X*	X	
Ronald A. Ahrens		X*	X
Robert J. Rubin, M.D.		X	X
Eric N. Prystowsky, M.D.		X	X
Randy H. Thurman	X	X	X
Woodrow A. Myers, M.D.	X		
Kirk E. Gorman	X		
Harry Rein	X	X	
James M. Sweeney	X		
Total meetings in fiscal 2008	9	4	4

*
Committee Chairperson

Below is a description of each committee of the Board of Directors as such committees have been constituted since August 2008 and are presently constituted. The Board of Directors has determined that each current member of each committee meets the applicable SEC and Nasdaq rules and regulations regarding "independence" and that each member is free of any relationship that would impair his or her individual exercise of independent judgment with regard to the Company.

Audit Committee

The Audit Committee of the Board of Directors was established by the Board of Directors in accordance with Section 3(a)(58)(A) of the 1934 Act to oversee the Company's corporate accounting and financial reporting processes and audits of its financial statements. The Board of Directors has adopted an Audit Committee Charter which is available on our website at <http://investors.cardionet.com>. The functions of this committee include, among other things:

evaluating the performance of our independent auditors and determining whether to retain their services for the ensuing year;

reviewing and pre-approving the engagement of our independent auditors to perform audit services;

reviewing and proposing to the full Board of Directors for approval any permissible non-audit services;

reviewing our annual financial statements and reports and discussing the statements and reports with our independent auditors and management;

reviewing with our independent auditors and management significant issues that arise regarding accounting principles and financial statement presentation, and matters concerning the effectiveness of internal auditing and financial reporting controls; and

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establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.

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Both our independent registered public accounting firm and management periodically meet privately with our Audit Committee.

Our Audit Committee currently consists of Messrs. Middleton and Gorman and Dr. Myers, each of whom is a non-employee director of our Board of Directors. Mr. Middleton is the Chairman of our Audit Committee. The Audit Committee met nine times in 2008 at which time it was comprised of Messrs. Middleton, Rein, Gorman and Myers. Effective January 2008, prior to the Company's initial public offering, Mr. Sweeney resigned as a member of the Audit Committee and was replaced as a member of the Audit Committee by Dr. Myers. Effective August 4, 2008, Mr. Rein resigned as a member of the Board of Directors and the Audit Committee and was replaced as a member of the Audit Committee by Mr. Thurman. Effective August 22, 2008, Mr. Thurman was replaced by Mr. Gorman. The Board of Directors reviews the Nasdaq listing standards definition of independence for Audit Committee members on an annual basis and has determined that all current members of the Company's Audit Committee are independent (as independence is currently defined in Rule 4350(d)(2)(A)(i) and (ii) of the Nasdaq listing standards). Our Board of Directors has determined that Mr. Middleton is a financial expert. The Board of Directors made a qualitative assessment of Mr. Middleton's level of knowledge and experience based on a number of factors, including his formal education and experience as a chief financial officer for public reporting companies.

Report of the Audit Committee of the Board of Directors

During fiscal year 2008, the Audit Committee met nine times. In the exercise of the Audit Committee's duties and responsibilities, the Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2008 with the Company's management. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T. The Audit Committee has also received the written disclosures and the letter from the independent registered public accounting firm required by the Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*), as adopted by the PCAOB in Rule 3600T and has discussed with the independent registered public accounting firm the independent registered public accounting firm's independence. Based on its review and discussions and subject to the limitations on the role and responsibilities of the Audit Committee in its charter, the Audit Committee recommended to the Board that the audited financial statements for fiscal year 2008 be included in the Company's Annual Report to shareholders on Form 10-K filed with the Securities and Exchange Commission.

Fred Middleton, Chair
Kirk E. Gorman
Woodrow A. Myers Jr., M.D.

This Report of the Audit Committee is not "soliciting material" and shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates this report by reference, and shall not otherwise be deemed filed under such Acts.

Compensation Committee

The Compensation Committee currently consists of three directors, Mr. Ahrens, the Chairman of the Compensation Committee, and Drs. Prystowsky and Rubin. All members of the Company's Compensation Committee are independent (as independence is currently defined in Rule 4200(a)(15) of the Nasdaq listing standards).

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At the closing of the Company's initial public offering the Board of Directors replaced the former Compensation Committee with a Compensation, Nominating and Corporate Governance Committee which was comprised of Messrs. Middleton and Drs. Prystowsky and Rubin. From the date of the creation of the Compensation, Nominating and Corporate Governance Committee through his resignation from the Board of Directors in August 2008, Mr. Rein served as the Chairman of the Compensation, Nominating and Corporate Governance Committee. Following Mr. Rein's resignation from the Board of Directors, Mr. Thurman was appointed to serve as a member and as the Chairman of the Compensation, Nominating and Corporate Governance Committee. The Compensation, Nominating and Corporate Governance Committee met two times during the 2008 fiscal year prior to August 2008. In August 2008, the Board of Directors separated the Compensation and Nominating and Corporate Governance Committee into two separate committees: a Compensation Committee and a Nominating and Corporate Governance Committee, and appointed Mr. Ahrens and Drs. Prystowsky and Rubin to serve as members of the Compensation Committee, with Mr. Ahrens serving as Chair of the Compensation Committee. In September 2008, the Board of Directors appointed Mr. Thurman to serve as an additional member of the Compensation Committee. As of December 31, 2008, the Compensation Committee was comprised of Messrs. Thurman and Ahrens and Drs. Prystowsky and Rubin, with Mr. Ahrens serving as the Chairman of the Compensation Committee. Between August 2008 and December 31, 2008, the Compensation Committee met two times. In connection with his appointment as the Company's President and Chief Executive Officer, Mr. Thurman resigned from the Compensation Committee. The Board of Directors has adopted a Compensation Committee Charter which was revised as of January 22, 2009 and is available on our website at <http://investors.cardionet.com>.

The Compensation Committee of the Board of Directors acts on behalf of the Board of Directors to review, recommend for adoption, and oversee the Company's compensation strategy, policies, plans and programs, including:

reviewing and recommending to the Board of Directors the compensation and other terms of employment of our Chief Executive Officer;

reviewing and approving the compensation and other terms of employment of our executive officers (other than the Chief Executive Officer);

reviewing and recommending to the Board of Directors performance goals and objectives relevant to the compensation of our Chief Executive Officer and assessing his or her performance against these goals and objectives;

interpreting, administering, and granting, or with respect to the Chief Executive Officer recommending for approval by the Board of Directors, awards under the equity incentive plans, compensation plans and similar programs advisable for us, as well as modification or termination of existing plans and programs;

reviewing and periodically accessing the adequacy of compensation to be paid or awarded to members of the Board of Directors;

establishing policies with respect to equity compensation arrangements;

reviewing the competitiveness of our executive compensation programs and evaluating the effectiveness of our compensation policy and strategy in achieving expected benefits to us;

reviewing and recommending to the Board of Directors the terms of any employment agreements, severance arrangements, change in control protections and any other compensatory arrangements for our executive officers; and

reviewing with management our disclosures under the caption "Compensation Discussion and Analysis" and recommending to the full Board of Directors its inclusion in our periodic reports to be filed with the Securities and Exchange Commission.

Typically, the Compensation Committee meets quarterly and with greater frequency if necessary. The agenda for each meeting is usually developed by the Chair of the Compensation Committee. The Compensation Committee meets regularly in executive session. However, from time to time, various members of management and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, provide financial or other background information or advice or otherwise participate in Compensation Committee meetings. The Chief Executive Officer may not participate in or be present during any deliberations of the Compensation Committee regarding his compensation. The charter of the Compensation Committee grants the Compensation Committee full access to all books, records, facilities and personnel of the Company, as well as authority to obtain, at the expense of the Company, advice and assistance from internal and external legal, accounting or other advisors and consultants and other external resources that the Compensation Committee considers necessary or appropriate in the performance of its duties.

Our Compensation Committee retains the services of third party executive compensation specialists and consultants from time to time, as it sees fit, in connection with the establishment of cash and equity compensation and related policies.

The specific recommendations of the Compensation Committee with respect to executive compensation for the fiscal year ended December 31, 2008 are described in greater detail in the Compensation Discussion and Analysis section of this proxy statement.

Compensation Committee Interlocks and Insider Participation

As indicated above, the Compensation Committee currently consists of Messrs. Ahrens and Drs. Prystowsky and Rubin. No member of the Compensation Committee has ever been an executive officer or employee of ours. None of our officers currently serves, or has served during the last completed year, on the Compensation Committee or the Board of Directors of any other entity that has one or more officers serving as a member of the Board of Directors or the Compensation Committee.

Nominating and Corporate Governance Committee

The Board of Directors established the Compensation, Nominating and Corporate Governance Committee in March 2008 concurrently with the closing of the Company's initial public offering. In August 2008, the Board of Directors separated the Compensation and Nominating and Corporate Governance Committee into two separate committees: a Compensation Committee and a Nominating and Corporate Governance Committee, and appointed Messrs. Thurman and Ahrens and Drs. Prystowsky and Rubin to serve as members of the Nominating and Corporate Governance Committee, with Mr. Thurman serving as Chair of the Nominating and Corporate Governance Committee. Between August 2008 and December 31, 2008, the Nominating and Corporate Governance Committee met two times. In connection with his appointment as the Company's President and Chief Executive Officer, Mr. Thurman resigned from the Nominating and Corporate Governance Committee, and Dr. Rubin was appointed as the Chair. Following Mr. Thurman's resignation, the Nominating and Corporate Governance Committee is comprised of Mr. Ahrens and Drs. Prystowsky and Rubin.

The Board of Directors has adopted a Nominating and Corporate Governance Committee Charter which is available on our website at <http://investors.cardionet.com>. All members of the Nominating and Corporate Governance Committee are independent (as independence is currently defined in Rule 4200(a)(15) of the Nasdaq listing standards).

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The functions of the Nominating and Corporate Governance Committee include, among other things:

identifying, reviewing and evaluating candidates to serve on our Board of Directors consistent with criteria approved by our Board of Directors;

determining the minimum qualifications for service on our Board of Directors;

evaluating director performance on the Board of Directors and applicable committees of the Board of Directors and determining whether continued service on our Board of Directors is appropriate;

reviewing, evaluating and recommending individuals for membership on our Board of Directors;

evaluating nominations by stockholders of candidates for election to our Board of Directors;

considering and assessing the independence of members of our Board of Directors;

developing, as appropriate, a set of corporate governance policies and principles, including a code of business conduct and ethics and reviewing and recommending to our Board of Directors any changes to such policies and principles;

periodically reviewing with our CEO the succession plans for the office of CEO and for other key executive officers, and making recommendations to our Board of Directors of appropriate individuals to succeed to these positions;

considering questions of possible conflicts of interest of directors as such questions arise;

reviewing the adequacy of our Nominating and Corporate Governance Committee charter on a periodic basis; and

reviewing and evaluating, at least annually, the performance of the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee believes that candidates for director should have certain minimum qualifications, including the ability to read and understand basic financial statements, being over 21 years of age and having the highest personal integrity and ethics. The Nominating and Corporate Governance Committee also intends to consider such factors as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to the affairs of the Company, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of the Company's stockholders. However, the Nominating and Corporate Governance Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of the Board of Directors, the operating requirements of the Company and the long-term interests of stockholders. In conducting this assessment, the Nominating and Corporate Governance Committee considers diversity, age, skills, and such other factors as it deems appropriate given the current needs of the Board of Directors and the Company, to maintain a balance of knowledge, experience and capability. In the case of incumbent directors whose terms of office are set to expire, the Nominating and Corporate Governance Committee reviews these directors' overall service to the Company during their terms, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair the directors' independence. In the case of new director candidates, the Nominating and Corporate Governance Committee also determines whether the nominee is independent for Nasdaq purposes, which determination is based upon applicable Nasdaq listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Nominating and Corporate Governance Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The

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Nominating and Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board of Directors. The Nominating and Corporate Governance Committee meets to discuss and consider the candidates' qualifications and then selects a nominee by majority vote.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. The Nominating and Corporate Governance Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether or not the candidate was recommended by a stockholder. Stockholders who wish to recommend individuals for consideration by the Nominating and Corporate Governance Committee to become nominees for election to the Board of Directors for the 2010 Annual Meeting of Stockholders may do so by delivering a written recommendation to the Nominating and Corporate Governance Committee on or before January 30, 2010 at the following address: 227 Washington Street #300, Conshohocken, Pennsylvania 19428, Attn: Secretary. Submissions must include the full name of the proposed nominee, a description of the proposed nominee's business experience for at least the previous five years, complete biographical information, a description of the proposed nominee's qualifications as a director and the name of the nominating stockholder, a representation that the nominating stockholder is a beneficial or record holder of the Company's stock and has been a holder for at least one year. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected.

STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

The Company's Board of Directors has adopted a formal process by which stockholders may communicate with the Board of Directors or any of its directors. This information is available on the Company's website at <http://investors.cardionet.com>.

CODE OF ETHICS

The Company has adopted the CardioNet, Inc. Code of Business Conduct and Ethics that applies to all officers, directors and employees, which was amended and updated to reflect current business practice and industry regulation on January 22, 2009. We intend to maintain the highest standards of ethical business practices and compliance with all laws and regulations applicable to our business. The Code of Business Conduct and Ethics is available on our website at <http://investors.cardionet.com>. If the Company makes any substantive amendments to the Code of Business Conduct and Ethics or grants any waiver from a provision of the Code to any executive officer or director, the Company will promptly disclose the nature of the amendment or waiver on its website at <http://investors.cardionet.com>.

PROPOSAL 2**RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS**

The Audit Committee of the Board of Directors has selected Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 2009 and has further directed that management submit the selection of independent auditors for ratification by the stockholders at the Annual Meeting. Ernst & Young LLP has audited the Company's financial statements since 2004. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither the Company's Bylaws nor other governing documents or law require stockholder ratification of the selection of Ernst & Young LLP as the Company's independent auditors. However, the Audit Committee of the Board of Directors is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee of the Board of Directors will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee of the Board of Directors in its discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting will be required to ratify the selection of Ernst & Young LLP. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

In connection with the audit of the 2008 financial statements, the Company entered into an engagement agreement with Ernst & Young LLP which sets forth the terms by which Ernst & Young LLP will perform audit services for the Company. That agreement is subject to alternative dispute resolution procedures and an exclusion of punitive damages.

The following table represents aggregate fees billed to the Company for the fiscal years ended December 31, 2007 and December 31, 2008, by Ernst & Young LLP, the Company's principal accountant. All fees described below were approved by the Audit Committee.

	Fiscal Year Ended	
	2008	2007
Audit Fees(1)	\$ 636,000	\$ 1,408,000
Audit-related Fees (specifically describe audit-related fees incurred)	0	0
Tax Fees(2)	\$ 487,000	\$ 82,000
All Other Fees(3)	\$ 0	0
Total Fees	\$ 1,123,000	\$ 1,480,000

(1)

Audit fees were principally for services rendered for the audit and/or review of our consolidated financial statements. Also includes fees for services rendered in connection with (i) a private placement of preferred stock prior to our initial public offering and (ii) our initial public offering, including, without limitation, the filing of registration statements and other documents with the SEC, the issuance of accountant consents and comfort letters and assistance in responding to SEC comment letters.

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- (2) Tax Fees consist of fees billed in the indicated year for professional services performed by Ernst & Young LLP with respect to tax compliance, tax advice and tax planning.
- (3) All Other Fees consist of fees billed in the indicated year for other permissible work performed by Ernst & Young LLP that is not included within the above category descriptions.

PRE-APPROVAL POLICIES AND PROCEDURES.

The Audit Committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by our independent auditor, Ernst & Young LLP. The policy generally pre-approves specified services in the defined categories of audit services, audit-related services, and tax services up to specified amounts. Pre-approval may also be given as part of the Audit Committee's approval of the scope of the engagement of the independent auditor or on an individual explicit case-by-case basis before the independent auditor is engaged to provide each service. The pre-approval of services may be delegated to one or more of the Audit Committee's members, but the decision must be reported to the full Audit Committee at its next scheduled meeting.

The Audit Committee has determined that the rendering of the services other than audit services by Ernst & Young LLP is compatible with maintaining the principal accountant's independence.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF PROPOSAL 2.

PROPOSAL 3

**AMENDMENT TO THE CARDIONET, INC. 2008 NON-EMPLOYEE
DIRECTORS' STOCK OPTION PLAN**

We currently maintain the CardioNet, Inc. 2008 Non-Employee Directors' Stock Option Plan (the "Director Plan"), which was originally effective on March 18, 2008 upon approval by our stockholders. In January 2009, our Board of Directors adopted a revised compensation program for our non-employee directors. In connection with the adoption of the new compensation program for non-employee directors, which becomes effective as of the date of the 2009 Annual Meeting of Stockholders and supersedes and replaces all prior non-employee director compensation programs, the Director Plan was frozen and no further grants will be made under the Director Plan, unless the Board of Directors determines to unfreeze the Director Plan in the future. In connection with the adoption of the new compensation program for non-employee directors, our Board of Directors determined that an amendment to all outstanding director options to extend the post-termination exercise period set forth in all outstanding director option agreements is an appropriate benefit to provide the non-employee member of the board in consideration of their valuable service to the Company. Pursuant to its discretionary authority under the CardioNet, Inc. 2003 Equity Incentive Plan and the CardioNet, Inc. 2008 Equity Incentive Plan, the Board approved an amendment to all outstanding options held by directors under those plans to extend the post-termination exercise period from three months to the remainder of the option term in effect at the time of the director's termination. Because the Director Plan does not grant our Board of Directors the discretionary authority to make such a change to options granted to directors under the Director Plan, an amendment to the Director Plan and to the outstanding options granted under the Director Plan requires stockholder approval. Accordingly, on March 17, 2009, our Board of Directors unanimously approved an amendment to the Director Plan to provide that upon a directors termination of service with the Company the post-termination exercise period for vested options will extend for the remainder of the option term in effect at the time of the director's termination, instead of three months as was provided in the Director Plan prior to the effectiveness of the amendment, subject to stockholder approval. Our Board of Directors also unanimously approved that all outstanding director option agreements granted under the Director Plan through January 2009 be similarly amended to extend the post-termination exercise period for vested options, subject to stockholder approval, with the exception of the Company's Chairman, President and Chief Executive Officer, Randy H. Thurman, who previously received grants under the Director Plan as a non-employee director. The amendment to the Director Plan and the outstanding director option agreements granted under the Director Plan through January 2009 to extend the post-termination exercise period was approved by our Board of Directors subject to stockholder approval and accordingly, our Board of Directors directed that the amendment of the Director Plan and the director option agreements to extend the post-termination exercise period be submitted to the Company's stockholders for approval at the Annual Meeting.

If approved by our stockholders, the amendment to the Director Plan and to the outstanding director option agreements granted under the Director Plan through January 2009 will become effective on the date of the Annual Meeting. The material terms of the Director Plan are summarized below. A copy of the full text of the Director Plan, as amended by the matters described in this Proposal No. 3, is attached to this proxy statement as **Exhibit A**. This summary of the Director Plan is not intended to be a complete description of the Director Plan and is qualified in its entirety by the actual text of the Director Plan to which reference is made.

This Proposal No. 3 requires the affirmative vote of the holders of a majority shares present and entitled to vote either in person or by proxy at our 2008 Annual Meeting of Stockholders for its approval.

Material Features of the Plan

General. The Director Plan provides for the automatic grant of nonqualified stock options to purchase shares of our common stock to our non-employee directors.

The Director Plan authorizes 142,500 shares of our common stock for issuance, subject to adjustment in certain circumstances as described below. This amount will be increased annually on January 1 of each calendar year, from January 1, 2009 through January 1, 2018, by the aggregate number of shares of our common stock subject to options granted under the Director Plan during the immediately preceding year. However, our Board of Directors has the authority to designate a lesser number of shares by which the authorized number of shares of our common stock will be increased and as set forth above, the Director Plan was frozen on January 22, 2009 and no further grants will be made under the Director Plan unless our Board of Directors determines to unfreeze the Director Plan in the future. There are currently 84,167 shares of our common stock subject to outstanding options under the Director Plan.

If and to the extent options under the Director Plan terminate or expire, in whole or in part, without having been exercised in full, the shares subject to such grants will become available again for purposes of the Director Plan. Shares of our common stock issued under the Director Plan may be previously unissued shares or reacquired shares bought on the market or otherwise. If the exercise of any option granted under the Director Plan is satisfied by tendering shares of our common stock held by the participant, then the number of shares tendered shall again become available for the grant of awards under the Director Plan.

Administration. The Director Plan will be administered and interpreted by our Board of Directors. Our Board of Directors may not delegate administration of the Director Plan.

The Board of Directors has the authority to (i) determine the provisions of each option to the extent not specified in the Director Plan, (ii) to construe and interpret the Director Plan and the options granted under it, and to establish, amend and revoke rules and regulations for administration of the Director Plan, (iii) amend the terms and conditions of the Director Plan or an option and to terminate or suspend the Director Plan, and (iv) exercise any such powers and perform acts as the Board of Directors deems necessary or expedient to promote the best interests of the Company.

Eligibility for Participation. Options are automatically granted to all non-employee directors who meet the criteria set forth below.

Nonqualified Stock Options. The Director Plan provides for the automatic grant of nonqualified stock options ("NQSOs" or "options") to non-employee directors of the Company. The exercise price of the options granted under the Director Plan shall equal 100% of the fair market value of our common stock on the date of grant.

The Board of Directors will determine the term of each option which shall not exceed ten years from the date of grant. Currently, the Director Plan provides that if a grantee's service relationship with us terminates, the grantee may exercise any vested options for the earlier of three months or the remainder of the option term. If stockholders approve the proposed amendment to the Director Plan the three month period will be removed and if a grantee's service relationship with us terminates the grantee may exercise any vested options for the remainder of the option term in effect at the time of the grantee's termination.

A grantee may exercise an option by delivering the exercise price and any withholding taxes for the option: (i) in cash or check, (ii) by the surrender of shares of our common stock, or (iii) by payment through a broker in accordance with the procedures permitted by Regulation T of the Federal Reserve Board.

Automatic Nondiscretionary Grants.

Initial Grant. Any person who becomes a non-employee director will automatically receive an initial grant of an option to purchase 15,000 shares of our common stock upon his or her election, subject to adjustment by our Board of Directors as described below. These options will vest on the first anniversary of the date of grant with respect to 33 and $\frac{1}{3}\%$ of the shares subject to the initial grant and the remainder will vest in equal monthly installments over the 2 year period thereafter.

Committee Chair Grant. Any person who becomes a chairperson of our Audit Committee, Compensation Committee or Nominating and Corporate Governance Committee will automatically receive a grant of an option to purchase 7,500 shares of our common stock upon his or her election, subject to adjustment by our Board of Directors as described below. These options will vest on the first anniversary of the date of grant with respect to 33 and $\frac{1}{3}\%$ of the shares subject to the grant and the remainder will vest in equal monthly installments over the 2 year period thereafter.

Annual Grant. Any person who is a non-employee director on the date of each annual meeting of our stockholders automatically will be granted, on the annual meeting date, beginning with our 2008 annual meeting, an option to purchase 5,000 shares of our common stock, or the annual grant, subject to adjustment by our Board of Directors as described below. However, the size of an annual grant made to a non-employee director who is elected after the completion of our initial public offering and who has served for less than 12 months at the time of the annual meeting will be reduced ratably for each full month during such prior 12-month period during which such person did not serve as a non-employee director. These options will vest in equal monthly installments over 12 months following the date of grant.

Adjustment Provisions. In connection with stock splits, stock dividends, recapitalizations, reorganizations and certain other events affecting our common stock, the Board of Directors will make such adjustments as it determines is appropriate in the classes and maximum number of shares of our common stock reserved for issuance as grants, the classes and maximum number of shares of our common stock that may increase automatically each year, the classes and number of securities for which the automatic grants of options are made and the classes and number of securities and price per share of any outstanding grants. In the event of a termination or liquidation of the Company, all outstanding options shall terminate immediately prior to the termination or liquidation.

Corporate Transactions. In the event of certain corporate transactions, including change in control transactions, the vesting of options held by non-employee directors whose service has not been terminated prior to the effective time of the corporate transaction generally will be accelerated in full and all options outstanding under the Director Plan will be terminated if not exercised prior to the effective date of the corporate transaction.

Change of Control. In general terms, a change of control under the Director Plan occurs:

if a person, entity or affiliated group (with certain exceptions) acquires more than 50% of our then outstanding voting securities;

if we merge into another entity unless the holders of our voting shares immediately prior to the merger have at least 50% of the combined voting power of the securities in the merged entity or its parent;

if we sell or dispose of all or substantially all of our assets;

if we are liquidated or dissolved; or

if at least a majority of the Board of Directors at any time does not consist of individuals who were elected, or nominated for election, by directors in office at the time of such election or nomination.

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Transferability of Grants. Generally, a grantee may not transfer an option other than by will or the laws of descent and distribution. However, a grantee may transfer an option under certain circumstances with our written consent if a Form S-8 registration statement is available for the exercise of the option and the subsequent resale of the shares. In addition, a grantee may designate a beneficiary who may exercise the option following the grantee's death.

Amendment and Termination of the Plan. Our Board of Directors has the authority to amend or terminate the Director Plan. However, no amendment or termination of the Director Plan will adversely affect any rights under awards already granted to a participant unless agreed to by the affected participant. We will obtain stockholder approval of any amendment to the Director Plan as required by applicable law.

Federal Income Tax Consequences of the Plan

Set forth below is a general description of the federal income tax consequences relating to grants made under the Director Plan. Grantees are urged to consult with their personal tax advisors concerning the application of the principles discussed below to their own situations and the application of state and local tax laws.

Non-Qualified Stock Options. There are no federal income tax consequences to grantees or to CardioNet upon the grant of a NQSO. Upon the exercise of NQSOs, grantees will recognize ordinary compensation income in an amount equal to the excess of the fair market value of the shares at the time of exercise over the exercise price of the NQSO and CardioNet generally will be entitled to a corresponding federal income tax deduction. Upon the sale of shares acquired by exercise of a NQSO, a grantee will have a capital gain or loss (long-term or short-term depending upon the length of time the shares were held) in an amount equal to the difference between the amount realized upon the sale and the grantee's adjusted tax basis in the shares (the exercise price plus the amount of ordinary income recognized by the grantee at the time of exercise of the NQSO).

We have the right to require that grantees pay to us an amount necessary for us to satisfy our federal, state or local tax withholding obligations with respect to grants. We may withhold from other amounts payable to a grantee an amount necessary to satisfy these obligations. A grantee is permitted to satisfy our withholding obligation with respect to grants paid in shares of our common stock by having shares withheld, at the time the grants become taxable, provided that the number of shares withheld does not exceed the individual's minimum applicable withholding tax rate for federal, state and local tax liabilities.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF PROPOSAL 3.

EXECUTIVE OFFICERS

The following table sets forth information regarding our executive officers as of March 16, 2009:

Name	Age	Position
Executive Officers:		
Randy H. Thurman	59	Director, Chairman, President and Chief Executive Officer
Martin P. Galvan, CPA	57	Chief Financial Officer
John F. Imperato	51	Senior Vice President, Business Operations
Anna McNamara, RN	61	Senior Vice President, Clinical Operations

Biographical Information for Executive Officers

Randy H. Thurman. Mr. Thurman has served as our Chairman, President and Chief Executive Officer since February 2009 and a member of our Board of Director since July 2008. Mr. Thurman served as our Interim President and Chief Executive Officer from January to February 2009 and our Executive Chairman from July 2008 to January 2009. Since May 2008 Mr. Thurman has served as an advisor to New Mountain Capital, LLC, a private and public equity investment firm. From July 2007 through June 2008 Mr. Thurman served as a consultant to Cardinal Health, Inc., a global healthcare provider. From April 2001 until its acquisition by Cardinal Health, Inc. in July 2007, Mr. Thurman served as Chief Executive Officer of Viasys Healthcare Inc., a healthcare technology company. Mr. Thurman also served as Chairman of the Board of Directors and President of Viasys Healthcare Inc. from November 2001 and July 2004, respectively, until the time of its acquisition by Cardinal Health, Inc. From 1996 to April 2001, Mr. Thurman served as Chairman and Chief Executive Officer of Strategic Reserves LLC, a privately held company providing funding and strategic direction to healthcare technology companies. From 1993 to 1996, Mr. Thurman was Chairman and CEO of Corning Life Sciences, Inc., which was a global leader in clinical laboratory testing, pharmaceutical research and esoteric reference testing. Concurrent with the aforementioned positions, Mr. Thurman served as Chairman of the Board of Directors of Enzon Pharmaceuticals, Inc. from 1994 to 2001. From 1984 to 1993, Mr. Thurman held various positions at Rhone-Poulenc Rorer Pharmaceuticals, Inc., a global pharmaceutical company, ultimately as its President. Mr. Thurman received an undergraduate degree in Economics from Virginia Polytechnic Institute and a Master's in Economics from Webster University.

Martin P. Galvan, CPA. Mr. Galvan has served as our Chief Financial Officer since September 2007. From June 2001 to July 2007, Mr. Galvan held several positions with Viasys Healthcare Inc., a healthcare technology company that was acquired by Cardinal Health, Inc. in June 2007, most recently as Executive Vice President, Chief Financial Officer and Director Investor Relations. From 1999 to 2001, Mr. Galvan served as Chief Financial Officer of Rodel, Inc., a precision surface technologies company. From 1979 to 1998, Mr. Galvan held several positions with Rhone-Poulenc Rorer Pharmaceuticals, Inc., a pharmaceuticals company, including Vice President, Finance Worldwide; President & General Manager, RPR Mexico & Central America; Vice President, Finance, Europe/Asia Pacific; and Chief Financial Officer, United Kingdom & Ireland. Mr. Galvan received an undergraduate degree in Economics from Rutgers University.

John F. Imperato. Mr. Imperato has served as our Senior Vice President, Business Operations since June 2008. From June 2007 to June 2008, Mr. Imperato served as Senior Vice President, Integration and Business Operations with Cardinal Health, Inc, a global manufacturer and distributor of medical and surgical supplies and technologies. From January 2006 to June 2007, Mr. Imperato served as Senior Vice President, Business Operations with Viasys Healthcare Inc., a healthcare technology company that was acquired by Cardinal Health, Inc. in June 2007. From October 2001 to

January 2006, Mr. Imperato served as Corporate Vice President, Finance with Viasys Healthcare Inc. From 2000 to 2001, Mr. Imperato served as Chief Financial Officer of Auxilium A2, Inc., a pharmaceutical company engaged in development and marketing of ethical pharmaceutical products. From 1999 to 2000, Mr. Imperato served as Chief Financial Officer of Omnicare Clinical Services, Inc., a contract research organization. From 1984 to 1998, Mr. Imperato held several positions with Rhone-Poulenc Rorer Pharmaceuticals, Inc., including Vice President, Finance, Worldwide Industrial Operations. Mr. Imperato received an undergraduate degree in Accounting from Manhattan College and an M.B.A. from Pace University.

Anna McNamara, RN. Ms. McNamara has served as our Senior Vice President, Clinical Operations since September 2002. From February 2001 to September 2002, Ms. McNamara served as Executive Vice President of Clinical Operations for LifeWatch Corp., a health care services company. From July 1998 to February 2001, Ms. McNamara served as Vice President of Clinical Operations for Quality Diagnostic Services at Matria Healthcare, Inc., a health care company. From January 1997 to July 1998, Ms. McNamara served as Vice President of Clinical Operations for WebMD Health Corp., a web-based health information provider. Ms. McNamara received an undergraduate degree from Marymount College and an RN at Mercy Hospital in Scranton, PA.

**SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the ownership of the Company's Common Stock as of March 16, 2009 by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all executive officers and directors of the Company as a group; and (iv) all those known by the Company to be beneficial owners of more than five percent of its Common Stock.

Beneficial Owner	Beneficial Ownership(1)	
	Number of Shares	Percent of Total
Fred Middleton(2)	871,815	4%
Robert J. Rubin, M.D.(3)	43,318	*
Eric N. Prystowsky, M.D.(4)	39,596	*
Kirk E. Gorman(5)	4,406	*
Woodrow A. Myers Jr., M.D.(6)	21,281	*
Ronald A. Ahrens(5)	4,406	*
Randy H. Thurman(7)	7,815	*
Arie Cohen	1,388	*
James M. Sweeney		
Martin P. Galvan, CPA(8)	152,357	*
Manny S. Gerolamo	1,131	*
Anna McNamara, RN(9)	13,891	*
Michael Forese(10)	7,499	*
John F. Imperato		
Charles M. Gropper(11)	38,382	*
George Hrenko		
Philip Leone(12)	18,803	*
Alydar Partners, LLC(13)	1,200,000	5%
William Blair & Company, LLC(14)	1,265,094	5%
Wells Fargo & Company(15)	1,272,539	5%
Westfield Capital Management Company, LP(16)	1,287,700	5%
Federated Investors, Inc.(17)	2,253,745	10%
All directors and executive officers as a group (17 persons)(18)	1,226,088	5%

*

Less than one percent.

(1)

This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G if any filed with the Securities and Exchange Commission (the "SEC"). Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, the Company believes that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 23,731,126 shares outstanding on March 16, 2009, adjusted as required by rules promulgated by the SEC.

(2)

Includes options to purchase 22,500 shares of Common Stock, 9,375 of which will be unvested but exercisable as of March 16, 2009. Also includes options to purchase 2,500 shares of Common Stock, which will be exercisable as of March 16, 2009. Includes 603,542 shares of capital stock listed below held by certain affiliates of Sanderling Venture Partners. Mr. Middleton disclaims any beneficial ownership of the shares owned by these entities, except to the extent of his pecuniary interest therein.

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207,158 shares of capital stock held by Sanderling Venture Partners IV, L.P.;
80,646 shares of capital stock held by Sanderling IV Biomedical, L.P.;
129,186 shares of capital stock held by Sanderling IV Biomedical Co-Investment Fund, L.P.;
64,587 shares of capital stock held by Sanderling Venture Partners IV Co-Investment Fund, L.P.;
22,985 shares of capital stock held by Sanderling [Feri Trust] Venture Partners IV;
80,819 shares of capital stock held by Sanderling IV Limited Partnership;
8,550 shares of capital stock held by Sanderling VI Beteiligungs GmbH & Co. KG; and
9,611 shares of capital stock held by Sanderling V Limited Partnership.

- (3) Includes options to purchase 15,000 shares of Common Stock, 6,250 of which will be unvested but exercisable as of March 16, 2009. Also includes options to purchase 2,500 shares of Common Stock, which will be exercisable as of March 16, 2009.
- (4) Includes options to purchase 27,500 shares of Common Stock, 6,250 of which will be unvested but exercisable as of March 16, 2009. Also includes options to purchase 2,500 shares of Common Stock, which will be exercisable as of March 16, 2009.
- (5) Includes options to purchase 625 shares of Common Stock, which will be exercisable as of March 16, 2009.
- (6) Includes options to purchase 9,167 shares of Common Stock, 6,250 of which will be unvested but exercisable as of March 16, 2009. Also includes options to purchase 2,500 shares of Common Stock, which will be exercisable as of March 16, 2009.
- (7) Includes options to purchase 834 shares of Common Stock, which will be exercisable as of March 16, 2009.
- (8) Includes options to purchase 150,000 shares of Common Stock, 90,625 of which will be unvested but exercisable as of March 16, 2009.
- (9) Includes options to purchase 12,760 shares of Common Stock, which will be exercisable as of March 16, 2009.
- (10) Includes options to purchase 6,549 shares of Common Stock, which will be exercisable as of March 16, 2009.
- (11) Includes options to purchase 37,500 shares of Common Stock, which will be exercisable as of March 16, 2009.
- (12) Includes options to purchase 18,125 shares of Common Stock, which will be exercisable as of March 16, 2009.
- (13) John A. Murphy, an individual, is Manager of Alydar Capital, LLC and Alydar Partners, LLC, both Delaware limited liability companies. Alydar Capital, LLC is the general partner of Alydar Fund, L.P., Alydar QP Fund, L.P., Alysheba Fund, L.P. and Alysheba QP Fund, L.P. Alydar Partners, LLC is the investment manager of Alydar Fund, L.P., Alydar QP Fund, L.P., Alysheba Fund, L.P., Alysheba QP Fund, L.P., Alydar Fund Limited and Alysheba Fund Limited. John A. Murphy disclaims beneficial ownership of the securities. The address of Alydar Partners, LLC is 222 Berkeley Street, 17th Floor, Boston, MA 02116.
- (14) The address of William Blair & Company is 222 W Adams, Chicago, IL 60606.
- (15) The shares listed are owned of record by Wells Capital Management Incorporated, Wells Fargo Funds Management, LLC, Peregrine Capital Management, Inc., Wells Fargo Bank, National Association, Wachovia Securities, LLC. and Wachovia Bank, National Association. The address of Wells Fargo & Company is 420 Montgomery Street, San Francisco, CA 94163.

- (16) The shares listed are owned of record by certain mutual funds, institutional accounts and/or separate accounts managed by Westfield Capital as investment advisor. Westfield Capital disclaims any economic interest in such shares. The address of Westfield Capital Management Company, LP is 1 Financial Center, Boston, Massachusetts, 02111.
- (17) Federated Investors, Inc. (the "Parent") is the parent holding company of Federated Equity Management Company of Pennsylvania and Federated Global Investment Management Corp. (the "Investment Advisers"), which act as investment advisers to registered investment companies and separate accounts that own shares of common stock in CardioNet, Inc. (the "Reported Securities"). The Investment Advisers are wholly owned subsidiaries of FII Holdings, Inc., which is wholly owned subsidiary of Federated Investors, Inc., the Parent. All of the Parent's outstanding voting stock is held in the Voting Shares Irrevocable Trust (the "Trust") for which John F. Donahue, Rhodora J. Donahue and J. Christopher Donahue act as trustees (collectively, the "Trustees"). The Trustees have collective voting control that they exercise over the Parent. The Parent, the Trust, and each of the Trustees declare that this statement should not be construed as an admission that they are the beneficial owners of the Reported Securities, and the Parent, the Trust, and each of the Trustees expressly disclaim beneficial ownership of the Reported Securities. The address of Federated Investors, Inc. is Federated Investors Tower, Pittsburgh, PA 15222-3779.
- (18) Includes options to purchase 311,185 shares of Common Stock, which will be exercisable as of March 16, 2009.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the 1934 Act requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

As of March 16, 2009, based solely on a review of the copies of such reports furnished to us and representatives of these persons, all reports needed to be filed have been filed for the year ended December 31, 2008, with the exception of: Harry Rein, who inadvertently filed a late Form 4 on September 23, 2008 to report the exercise of 22,500 options on September 19, 2008; Ronald A. Ahrens, who inadvertently filed a late Form 4 on November 19, 2008 to report the grant of 1,250 options on October 23, 2008; Kirk E. Gorman, who inadvertently filed a late Form 4 on November 19, 2008 to report the grant of 1,250 options on October 23, 2008; Fred Middleton, who inadvertently filed a late Form 4 on November 19, 2008 to report the grant of 5,000 options on October 23, 2008; Woodrow A. Myers Jr., M.D., who inadvertently filed a late Form 4 on November 19, 2008 to report the grant of 5,000 options on October 23, 2008; Eric N. Prystowsky, M.D., who inadvertently filed a late Form 4 on November 19, 2008 to report the grant of 5,000 options on October 23, 2008; Robert J. Rubin, M.D., who inadvertently filed a late Form 4 on November 19, 2008 to report the grant of 5,000 options on October 23, 2008; and Randy H. Thurman, who inadvertently filed a late Form 4 on November 19, 2008 to report the grant of 1,667 options on October 23, 2008.

EQUITY COMPENSATION PLAN INFORMATION

The following table presents the equity compensation plan information as of December 31, 2008:

	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
<i>Equity compensation plans approved by security holders:</i>			
Employee and non-employee director stock option plans	1,635,205	\$ 13.67	340,935
Employee stock purchase plan	9,889	\$ 16.18	178,614
<i>Equity compensation plans not approved by security holders:</i>			
Common stock warrants	6,250	\$ 2.94	
Total	1,651,344	14.37	519,549

DIRECTOR AND EXECUTIVE COMPENSATION**Compensation Discussion and Analysis***Executive Summary*

In this Compensation Discussion and Analysis, we address the compensation provided to our named executive officers listed below under "Our Named Executive Officers" and in the Summary Compensation Table that follows this discussion, the goals that we seek to achieve through our executive compensation program and other important factors underlying our compensation practices and policies.

Our compensation program is designed to provide performance-oriented incentives that fairly compensate our executive officers and enable us to attract, retain and motivate executives with outstanding ability and potential. Our compensation program consists of both short-term and long-term components, including cash and equity-based compensation, and is intended to reward consistent performance that meets or exceeds formally established performance goals and objectives. Our Compensation Committee and senior management is focused on providing an appropriate mix of short-term and long-term incentives, and we are mindful not to rely on highly leveraged incentives that would result in risky short-term behavior. Our compensation program provides long-term incentives to ensure that our executives continue in employment with us and directly tie executive compensation to generation of shareholder value. We have revised our Management Incentive Plan to include corporate goals and objectives relating to revenue growth and earnings per share, and we overlay management by objective (MBO) goals that are intended to encourage our executives to build and maintain an infrastructure that supports our growth and increases revenues.

Our Compensation Committee believes our compensation program has been instrumental in helping us achieve our business objectives and is appropriate and fair in light of our strong financial performance relative to that of our peer group. The global economic recession in 2008 created one of the more difficult operating environments in history. However, in 2008, our revenue grew to \$120.5 million, representing an increase of \$ 47.5 million or 65% over the prior year. Our adjusted

earnings per share grew to \$0.59 per share in 2008, versus a loss per share in 2007. We had the top-performing healthcare initial public offering in 2008 and led the industry in obtaining a mobile cardiovascular telemetry CPT code. However, it is important to emphasize that our focus is on prospective incentives to encourage positive behaviors that will lead to incremental growth in total shareholder return.

Our Named Executive Officers

Our named executive officers for 2008 are Messrs. Cohen, Sweeney, Galvan, Gerolamo and Imperato and Ms. McNamara.

In July 2008, Mr. Sweeney ceased to serve as our Executive Chairman. In January 2009, Mr. Cohen ceased to serve as our President and Chief Executive Officer and Mr. Gerolamo ceased to serve as Senior Vice President, Sales and Marketing. In connection with their respective terminations from employment with us, we entered into separation agreements with each of Messrs. Sweeney, Cohen and Gerolamo and provided severance in satisfaction of our obligations under the terms of their respective employment agreements. The terms and conditions of the separation agreements for Messrs. Sweeney, Cohen and Gerolamo are described below under "Potential Payments Upon Termination Or Change In Control."

In January 2009, Mr. Thurman was appointed Interim President and Chief Executive Officer. In February 2009, Mr. Thurman accepted the role of President and Chief Executive Officer on an ongoing basis. The terms and conditions of Mr. Thurman's employment as our President and Chief Executive Officer are described below under "Employment Agreements."

Compensation Philosophy and Components of Executive Compensation

Our Compensation Committee is composed entirely of independent directors. Our Compensation Committee administers our executive compensation program and in 2008 was tasked with developing and administering an employee compensation program that provides performance-oriented incentives that are reasonable, competitive and properly reflect the objectives of the company to attract, motivate and retain executives of outstanding ability and potential and ensure that executive compensation is directly tied to the creation of stockholder value. In connection with its fulfillment of that task, our Compensation Committee retained the services of an independent compensation consultant as described in more detail below under each component of our executive compensation program.

The general duties of the Compensation Committee include:

Administration of the Company's annual incentive, equity compensation and long term incentive plans;

Review and recommendation of major compensation plans for approval by the Board;

Recommendation of compensation for the President and Chief Executive Officer for approval by the independent members of our Board; and

Approval of compensation decisions relating to all executive officers.

Our Compensation Committee believes that our executive compensation program should include both short-term and long-term components, including cash and equity-based compensation, and should reward consistent performance that meets or exceeds expectations. In 2008, we tied compensation to the achievement of specific corporate and individual goals. Determinations about corporate performance are based on achievement of specific, pre-determined objectives. Individual performance against goals are more subjective and are based on the judgments made at the discretion of our Compensation Committee and our Board of Directors, with input from our Chief Executive Officer except as it relates to his own compensation. For our executive officers other than himself, our Chief

Executive Officer evaluates the performance of other executive officers on an annual basis and makes recommendations to our Compensation Committee with respect to annual salary adjustments, bonuses and annual equity awards. These recommendations are reviewed by our Compensation Committee on an aggregated basis so that our Compensation Committee can evaluate the compensation paid to our executives on a total compensation basis. While our Compensation Committee reviews the recommendations of our Chief Executive Officer with respect to executive officers other than himself, our Compensation Committee exercises its own discretion in approving salary adjustments and discretionary cash and equity awards for all executives and communicates its final approval to our Board of Directors.

Benchmarking and Other Analysis

Currently, our Compensation Committee is chartered to review and make recommendations to our Board of Directors regarding the compensation to be paid to our Chief Executive Officer and approves compensation for all other executive officers. Historically, our Compensation Committee negotiated compensation with our Chief Executive Officer, and our Chief Executive Officer consulted with our Board of Directors regarding the compensation of our other executive officers. As a private company, our directors and Chief Executive Officer based compensation decisions primarily on their extensive background and experience with compensation practices and policies in the medical device and services industries. This background and experience provided the basis for the subjective judgments made by our Chief Executive Officer and our Board of Directors regarding our executives' compensation. In 2008, as a publicly traded company, our Compensation Committee retained an independent compensation consultant to assist it in benchmarking our executive compensation decisions and practices against the group of peer companies listed below. Generally, salaries and initial stock grants for our executive officers have been negotiated at the time of hire, taking into account the salaries and equity awards made to similarly situated executives at the companies in our peer group as well as the executive's experience in the position and in the industry generally. Thereafter, salaries are subject to an annual review process, and the adequacy of equity awards are reviewed annually.

The companies in our peer group included the following 15 publicly traded companies in the medical products and services sector, with revenue between \$70 million and \$400 million:

Datascope Corporation

ZOLL Medical Corp.

Masimo Corp.

Thoratec Corp.

Sonosite, Inc.

ICU Medical, Inc.

Cardiac Science Corp.

Healthtronics, Inc.

Quidel Corp.

Home Diagnostics, Inc.

Cutera, Inc.

eResearch Technology, Inc.

Aspect Medical Systems, Inc.

Natus Medical Inc.

Kensey Nash Corp.
Elements of Executive Compensation

The compensation program for our executive officers has consisted principally of base salary, short-term cash incentives and long-term incentives in the form of equity grants.

Base Salary

Historically, base salaries for our executives were established based on the scope of their responsibilities and individual experience, taking into account our informal understanding of competitive market compensation paid by other companies for similar positions within our industry. Base salaries are typically reviewed annually taking into account individual responsibilities, performance and achievement. Increases may be determined based upon specific performance related objectives or goals, as well as an overall evaluation of performance. Guidelines for annual merit increases are determined based upon achievement of company objectives for the year, as well as economic, industry and market factors.

We believe, based on our recruiting efforts and general experience in our industry, that the base salary levels of our executives are commensurate with the general salary levels for similar positions in medical device and services companies of similar size and stage of development and operations. The base salaries in effect for 2008 are set forth in the table below. For Messrs. Cohen, Galvan, Gerolamo and Imperato, base salary was generally determined as part of the negotiation of their terms of employment in connection with their commencement of employment with the Company and approved by our Board of Directors. In approving the base salaries, our Board of Directors considered each executive's requested base salary and compared that to the salaries of other members of our management team and the salary paid to the previous executive employed by the Company in that position. Our Board of Directors also took into account the responsibilities associated with the position and the executive's relative experience in that position and in the industry generally. In setting the base salaries for Messrs. Cohen, Galvan, Gerolamo and Imperato, we did not conduct a review of salary levels at any specific company or group of companies to verify the size of base salaries relative to the market except for Mr. Imperato. For Mr. Imperato, our Board of Directors utilized competitive market data from The Delves Group, an independent compensation consultant, to benchmark the offer to Mr. Imperato against similarly positioned executives at other companies. For Mr. Sweeney and Ms. McNamara, the amount of their base salaries for 2008 was based primarily on the subjective assessment of each of their performances by our Compensation Committee and our Board of Directors. No specific performance criteria were used to evaluate performance, nor were any specific elements of performance or specific contributions identified or evaluated in determining the amount of base salary. Further, prior to May 2008, we did not compare base salaries for our named executive officers to those of similarly situated executives at other companies. In May of 2008, we contracted with The Delves Group to do market benchmarking on each of our key executive positions, namely Mr. Cohen, Mr. Galvan, Ms. McNamara, Mr. Imperato and Mr. Gerolamo. Based on the report from The Delves Group, our Compensation Committee determined that the base salaries of each of our named executive officers were in the 50th to 75th percentiles of our peer group, except Mr. Galvan whose base salary is above the 75th percentile. Our Compensation Committee determined that it was appropriate

for Mr. Galvan's base salary to be above the median given the scope of his responsibilities with the Company and his overall experience as a chief financial officer and in the industry generally.

Name	2008 Base Salary
Arie Cohen	\$ 450,000
James Sweeney	\$ 500,000
Martin P. Galvan, CPA	\$ 300,000
Anna McNamara, RN	\$ 250,000
Manny Gerolamo	\$ 250,000
John F. Imperato	\$ 300,000

In March 2009, our Compensation Committee met to review performance for 2008 and approved certain salary increases for our named executive officers for 2009 taking into account recommendations from Mr. Thurman. Our Compensation Committee considered a number of factors in reaching its decision to approve base salary increases for 2009, including corporate and individual performance during 2008, leadership adversity during 2008, the transition in Chief Executive Officers and the need to reward and retain the executive management team. Specifically, our Compensation Committee considered that the Company had the top performing healthcare initial public offering in 2008, the Company led the industry in obtaining a mobile cardiovascular telemetry CPT code, revenue grew 60% and the Company went from operating at a loss to having profits in 2008. In addition, for certain executives our Compensation Committee considered the amount of time that had elapsed since the executive's last salary increase. After considering the foregoing factors, our Compensation Committee generally approved a 3% merit increase for each named executive officer (other than Messrs. Sweeney, Cohen and Gerolamo who are no longer employed by the company), with certain increases exceeding 3% as described in the succeeding sentences. For Mr. Galvan, because Mr. Galvan has had no increase in salary since the time he was hired with the Company, our Compensation Committee awarded a merit increase of 4.5% (3% multiplied by 1.5 years of service). For Ms. McNamara, our Compensation Committee approved a 20% increase in base salary. In reaching this decision, our Compensation Committee discussed Ms. McNamara's strategic importance to the Company and the fact that her base salary was at the low end of the range for her position. The 2009 base salaries for our named executive officers are set forth in the table below:

Name	2009 Base Salary
Martin P. Galvan, CPA	\$ 313,500
Anna McNamara, RN	\$ 300,000
John F. Imperato	\$ 309,000

In connection with our appointment of Mr. Thurman as President and Chief Executive Officer, we entered into an employment agreement with Mr. Thurman pursuant to which his base salary was set at \$500,000. The Board of Directors utilized competitive market data from The Delves Group to benchmark the offer to Mr. Thurman against similarly positioned executives at other companies.

Short-term Incentive Program

In 2008, our Compensation Committee contracted with The Delves Group to assist the Compensation Committee in developing a management incentive plan. Based on the recommendations of The Delves Group, in October 2008 our Board of Directors adopted a Management Incentive Plan ("MIP") to reward executives with annual cash bonuses for achievement of certain corporate performance objectives and individual objectives. The MIP operates on a calendar year schedule.

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While all employees of the Company are eligible to participate in the MIP, our Compensation Committee has the authority to designate which employees will participate in the MIP in any given year. An employee must be employed by us by October 1st of any given year to be eligible to participate in the MIP for the calendar year. In addition, unless specifically excepted, an eligible employee must be actively employed by us on the date bonuses are paid under the MIP to receive a payment. In general, bonuses under the MIP are paid out within the first two and one-half months following year-end.

On an annual basis, our Compensation Committee selects the individual and corporate performance goals for the upcoming year and determines how the achievement of those goals will be measured and the amount of the bonuses determined. Each participant in the MIP is assigned a specific target award, based on his or her role and competitive market practice. The target award reflects the award to be paid for meeting predefined corporate and individual performance goals. Target awards are defined as a percentage of base salary. For 2008, the Compensation Committee determined that actual awards under the MIP could range from 0% to 200% of target, depending on performance. Threshold performance will pay out at 50% of target and achieving maximum performance can result in awards of up to 200% of target. Performance below the threshold level will result in no payout. Within the formula under the MIP, our Compensation Committee has the discretion to take into account circumstances that may have affected performance as to any particular participant.

For 2008, our Compensation Committee determined that the corporate performance measure is earnings per share, as determined by our Compensation Committee, and established minimum, target and maximum earnings per share goals. Our Compensation Committee determined that earnings per share is an appropriate corporate performance objective because it is directly linked to the creation of stockholder value. In addition, our Compensation Committee determined that corporate performance would account for 80% of an individual's bonus eligibility and individual performance would account for 20% of an individual's bonus eligibility. For our named executive officers, the individual target bonuses approved by our Compensation Committee, expressed as a percentage of each person's base salary, were as follows:

Arie Cohen	90%
Martin P. Galvan, CPA	60%
John F. Imperato	60%
Anna McNamara, RN	50%
Manny Gerolamo	50%

In March 2009, our Compensation Committee evaluated the level of achievement of the earnings per share goal as well as the individual performance objectives relating to operational commitments relative to the executive officer's position (taking into account the 80%/20% weighting described above and recommendations from Mr. Thurman) and determined to pay bonuses to our named executive officers as set forth in the table below. Based on our Compensation Committee's review of the earnings per share performance goal, our Compensation Committee determined that the budgeted earnings per share goal had been exceeded. With respect to individual objectives, our Compensation Committee considered the operational success of the Company for 2008 and the level of contribution made by each named executive officer to the operational success based on the scope of their responsibilities with the Company, taking into account recommendations from Mr. Thurman. No bonus amount was paid to Messrs. Cohen or Gerolamo because they terminated employment before the date on which the MIP bonuses were paid. However, our Compensation Committee determined that Mr. Cohen's performance in 2008 warranted payment of his MIP bonus amount otherwise earned and waived the employment

requirement for Mr. Cohen. The MIP bonus amount paid to Mr. Cohen is described below under "Potential Payments Upon Termination Or Change In Control."

Martin P. Galvan, CPA	\$ 195,120
John F. Imperato	\$ 195,120
Anna McNamara, RN	\$ 135,000

In addition to the awards paid pursuant to the MIP, in 2008 we paid certain additional bonuses to Ms. McNamara and Mr. Sweeney to make them whole for the miscalculation of the tax gross-up amount for bonuses paid to them in 2007. Ms. McNamara and Mr. Sweeney previously entered into promissory notes with us in connection with the exercise of certain of their stock options. In August 2007, in order to enable Ms. McNamara and Mr. Sweeney to repay their respective loans prior to the initial filing of our registration statement, as required by the provisions of the Sarbanes-Oxley Act of 2002, we paid Ms. McNamara and Mr. Sweeney a bonus equal to the principal balance and accrued interest on their respective loans plus an additional gross-up amount to cover the taxes on their respective bonus amounts. However, we erroneously applied lower tax rates for Ms. McNamara and Mr. Sweeney in calculating the gross-up amount on their 2007 bonuses. In order to make them whole for this miscalculation, in 2008, we paid a special bonus to Ms. McNamara in the amount of \$76,522 and a special bonus to Mr. Sweeney in the amount of \$70,077.

In connection with Mr. Thurman accepting the role of President and Chief Executive Officer on an on-going basis, in March 2009, we paid Mr. Thurman a bonus payment of \$450,000 representing a portion of the incentive and equity compensation he forfeited upon resigning from employment with his former employer. Mr. Thurman is required to repay a pro rata portion of the bonus payment if he voluntarily resigns or is terminated for cause prior to February 24, 2010.

For 2009, our Compensation Committee has determined that the financial goals under the MIP will be revenue based with an adjustment factor based on earnings per share. Our Compensation Committee determined that these goals were appropriate in order to continue to advance the Company's overall strategic objectives and to enhance stockholder value. The target bonus opportunity set for the named executive officers for 2009 under the MIP are as follows:

Randy H. Thurman	100%
Martin P. Galvan, CPA	60%
John F. Imperato	60%
Anna McNamara, RN	50%

Long-term Incentive Programs

Equity Compensation Plans 2003 Plan

Prior to our initial public offering, we granted equity awards primarily through our 2003 Equity Incentive Plan (the "2003 plan"), which was adopted by our Board of Directors and stockholders to permit the grant of stock options, stock bonuses and restricted stock to our officers, directors, employees and consultants. In the absence of a public trading market for our common stock prior to the closing of our initial public offering, our Board of Directors and Compensation Committee determined the fair market value of our common stock in good faith based upon consideration of a number of relevant factors including the status of our development efforts, financial status and market conditions. In addition, we secured an outside valuation from an independent valuation firm in order to set fair market value of our Common Stock.

Mr. Gerolamo was granted a stock option under the 2003 plan to purchase 125,000 shares of our Common Stock in connection with the commencement of his employment in January 2008. The number of shares was determined as part of the negotiation of his overall employment package and

was approved by our Board of Directors. In determining the number of shares, the Board of Directors considered the number of shares requested by Mr. Gerolamo and the equity ownership of other members of our management. We did not compare this stock amount to equity amounts held by executives at other companies. Upon leaving the organization in January 2009, Mr. Gerolamo's received 31,250 vested options, which he subsequently exercised. All remaining unvested options were cancelled.

Equity Compensation Plans 2008 Plans

In connection with our initial public offering, our Board of Directors adopted new equity compensation plans. Specifically, our Board of Directors adopted the 2008 Equity Incentive Plan (the "2008 EIP"), the Director Plan (described in more detail below under Non-Employee Director Compensation) and the 2008 Employee Stock Purchase Plan (the "ESPP"). Each of the new plans became effective on March 18, 2008 upon the effectiveness of our initial public offering. The 2008 EIP replaced the 2003 plan immediately following our initial public offering and affords our Compensation Committee much greater flexibility in making a wide variety of equity awards. The ESPP is available to all executive officers on the same basis as our other employees.

Our 2008 EIP authorizes us to grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance stock awards, performance cash awards and other stock awards. To date, we have only granted stock options and restricted stock units under the 2008 EIP. All stock options granted to our employees and directors were granted with an exercise price that was no less than the fair market value of a share of our Common Stock on the date such options were granted. Prior to January 2009, all option grants typically vested over four years, with one quarter of the shares subject to the stock option vesting on the one year anniversary of the vesting commencement date and the remaining shares vesting in equal months installments thereafter over three years. Beginning in January 2009, the Compensation Committee determined to modify the vesting schedule for new grants going forward so that grants would vest in 25% increments over a four year period beginning with the first anniversary of the date of grant. Our Compensation Committee determined that this vesting schedule better achieved the goal of our Compensation Committee to encourage retention and dedication to the success of the Company over a longer time horizon. All options have a ten year term. Additional information regarding accelerated vesting upon or following a change in control is discussed below under "Potential Payments Upon Termination Or Change In Control."

Mr. Imperato was granted a stock option under the 2008 EIP to purchase 150,000 shares of our Common Stock in connection with the commencement of his employment in June 2008. The number of shares was determined as part of the negotiation of his overall employment package and was approved by our Board of Directors. In determining the number of shares, the Board of Directors considered the number of shares requested by Mr. Imperato and the equity ownership of other members of our management, including Mr. Galvan. We did not compare this stock amount to equity amounts held by executives at other companies.

In connection with his service as a non-employee member of our Board of Directors, Mr. Thurman was granted 3,781 restricted stock units under the 2008 EIP. In February 2009, in connection with our appointment of Mr. Thurman as Interim President and Chief Executive Officer in January 2009, Mr. Thurman was granted 3,200 restricted stock units under the 2008 EIP to make up for the loss of the equity compensation Mr. Thurman would have been granted at our annual meeting of stockholders had he remained a non-employee member of our Board of Directors at that time. In addition, in February 2009, in connection with Mr. Thurman accepting the role of President and Chief Executive Officer on an on-going basis, Mr. Thurman was granted an incentive stock option under the EIP to purchase 500,000 shares of our Common Stock and a restricted stock unit grant under the 2008 EIP with respect to 50,000 shares of our Common Stock. The foregoing equity awards vest in equal annual installments over 4 years commencing on the first anniversary of the date of grant; provided Mr. Thurman remains in continuous service as of each applicable vesting date. The foregoing equity

awards provide for accelerated vesting if a corporate transaction occurs while Mr. Thurman is in the continuous service of the Company as of the date of the corporate transaction.

In addition, in March 2009, our Compensation Committee approved strategic retention restricted stock unit grants with respect to 5,000 shares each to Ms. McNamara and Mr. Imperato. Our Compensation Committee awarded these grants based upon the recommendation of Mr. Thurman regarding the strategic importance of both Ms. McNamara and Mr. Imperato to the Company. These grants are intended to serve as a retention tool and to reward Ms. McNamara and Mr. Imperato for their valuable service during a period of transition in the leadership of the Company. The foregoing restricted stock grants will vest 100% upon the third anniversary of the date of grant; provided that Ms. McNamara and Mr. Imperato remain in the continuous service of the Company through that date.

Long Term Incentive Plan

In October 2008 our Board of Directors adopted a Long Term Incentive Plan ("LTIP") to reward executives with stock option and restricted stock equity grants under our 2008 EIP, based on achievement of pre-established company performance objectives. The LTIP is effective for the issuance of grants in 2009 based on 2008 performance evaluations. The objectives of the LTIP are to drive growth in stockholder value, reward key employees for demonstrated value creation, provide a retention incentive for key employees, build equity ownership among the executive team and focus executive on multi-year operating performance. We believe that by providing our executives the opportunity to increase their ownership of our stock, the best interests of stockholders and executives will be more aligned and we will encourage long-term performance. Stock awards enable our executive officers to participate in any increase in stockholder value and personally participate in the risks of business setbacks. It is our belief that long-term incentives motivate and reward successful long-term value creation and the achievement of financial goals for the Company and our stockholders, as well as retain top executive talent.

All executive officers and other employees selected by our Compensation Committee are eligible to receive awards under the LTIP. The LTIP provides for annual grants of restricted stock units and stock options under the 2008 EIP based on the achievement of a corporate goal based on adjusted earnings per share, as determined annually by our Compensation Committee. If corporate financial performance meets the specified earnings per share goal, the participants in the LTIP will receive awards based on each individual's target dollar value, which is determined by our Compensation Committee. For our named executive officers, the individual target dollar values approved by our Compensation Committee for 2008, expressed as a percentage of each person's base salary, were as follows:

Arie Cohen	150% of base salary
Martin P. Galvan, CPA	75% of base salary
John F. Imperato	75% of base salary
Anna McNamara, RN	50% of base salary
Manny Gerolamo	50% of base salary

At the beginning of the next fiscal year, awards will be granted following the determination of the corporate financial performance in each year. The target dollar values will be adjusted by up to 40% above or below the target dollar value stated above in the event that corporate performance exceeds or does not meet the target earnings per share goal. One-half of this adjusted dollar value will be converted into a stock option award (based on the Black-Scholes value of the option at the time of grant). The stock option will have a 10-year term and vest 25% per year on the first four anniversaries of the date of grant. One-half of the adjusted dollar value will be converted into a restricted stock unit award (based on the closing stock price on the date of grant). The restricted stock unit award will vest in full on the third anniversary of the date of grant.

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In March 2009, our Compensation Committee evaluated performance for 2008 and determined, based on the level of attainment of the earnings per share goal, as adjusted pursuant to the terms of the LTIP, to make stock option and restricted stock unit awards pursuant to the LTIP as set forth in the table below. No awards were made to Messrs. Cohen or Gerolamo. The option grants are incentive stock options that vest in four equal annual installments commencing on December 31, 2009. The restricted stock unit grants vest 100% on the third anniversary of the date of grant.

Name	Number of Shares Subject to Option Grant	Number of Shares Subject to Restricted Stock Unit Award
Martin P. Galvan, CPA	8,365	5,019
John F. Imperato	8,365	