CARDIONET INC
Form 424B4
August 01, 2008

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Filed purusant to Rule 424(b)4
Registration No. 333-151829

Prospectus Supplement
To Prospectus dated July 31, 2008

5,000,000 Shares

Common Stock

The selling stockholders named in this prospectus supplement are offering for resale 5,000,000 shares of our common stock, par value $0.001 per share. We are not selling any shares of our common stock under this prospectus supplement and will not receive any of the proceeds from the sale of shares by the selling stockholders.

Our common stock is listed on the Nasdaq Global Market under the symbol "BEAT." On July 31, 2008, the last reported sale price for our common stock was $27.56 per share.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 12 of the accompanying prospectus.

	Per share	Total
Public offering price	$ 26.5000	$ 132,500,000
Underwriting discounts and commissions	$ 1.3913	$ 6,956,500
Proceeds to selling stockholders, before expenses	$ 25.1087	$ 125,543,500

The selling stockholders have granted the underwriters an option for a period of 30 days to purchase up to 750,000 additional shares of common stock on the same terms and conditions set forth above to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to investors on August 6, 2008.

Sole Book-Running Manager

Citi

Co-Lead Managers

Banc of America Securities LLC **Leerink Swann**

Co-Managers

Cowen and Company **Thomas Weisel Partners LLC**

The date of this prospectus supplement is July 31, 2008.

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This prospectus supplement is a supplement to the accompanying prospectus that is also part of this Registration Statement. This prospectus supplement pertains to the subset of the shares covered by this Registration Statement that are being offered by the selling stockholders through a firm commitment underwritten offering. All shares registered pursuant to this Registration Statement that are not sold pursuant to this prospectus supplement may be sold pursuant to the accompanying prospectus. In this prospectus supplement we provide you with specific information about the terms of the underwritten offering along with certain related information. You should read this prospectus supplement along with the accompanying prospectus carefully before you invest. Both documents contain important information you should consider when making your investment decision. To the extent that any statement that we make in this prospectus supplement is inconsistent with statements made in the accompanying prospectus, the statements made in this prospectus supplement will be deemed to modify or supersede those made in the accompanying prospectus with respect to the underwritten offering of the shares covered by this prospectus supplement. Any shares sold by the selling stockholders pursuant to this prospectus supplement shall, subsequent to the offering to which this prospectus supplement relates, reduce the number of shares available for sale by the selling stockholders pursuant to the accompanying prospectus.

All references in this prospectus to "CardioNet," "the Company," "we," "us" or "our" mean CardioNet, Inc., unless we state otherwise or the context otherwise requires.

You should rely only on the information contained in this prospectus supplement, together with the accompanying prospectus and any other applicable prospectus supplement. We have not authorized anyone to provide you with different information. We are not making an offer to sell these securities in any jurisdiction where the offer is not permitted. The information contained in this prospectus supplement, the accompanying prospectus and any other applicable prospectus supplement are accurate only as of their respective dates, regardless of the time of delivery of this prospectus supplement or the accompanying prospectus or the time of any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since such date.

Prospectus Supplement Summary

This summary highlights what we believe is the most important information about us and this offering. Because it is only a summary, it does not contain all of the information that you should consider before investing in shares of our common stock. The information in this summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this prospectus supplement and the accompanying prospectus. Before you decide to invest in our common stock, you should read this entire prospectus supplement and the accompanying prospectus carefully, including the "Risk Factors" section and the consolidated financial statements and related notes included in the accompanying prospectus.

The Company

Overview

We are the leading provider of ambulatory, continuous, real-time outpatient management solutions for monitoring relevant and timely clinical information regarding an individual's health. We have raised over $250 million of capital and spent seven years developing a proprietary integrated patient monitoring platform that incorporates a wireless data transmission network, internally developed software, FDA-cleared algorithms and medical devices, and a 24-hour digital monitoring service center. Our initial efforts are focused on the diagnosis and monitoring of cardiac arrhythmias, or heart rhythm disorders, with a solution that we market as the CardioNet System.

We believe that the CardioNet System's continuous, heartbeat-by-heartbeat monitoring is a fundamental advancement in arrhythmia monitoring, with the potential to transform an industry that has historically relied on memory-constrained, intermittent digital or tape recorders, such as event monitors and Holter monitors. Existing technologies have one or more drawbacks including the inability to detect asymptomatic events, which are defined as clinically significant events that the patient cannot feel, algorithms with limited detection capabilities, failure to provide real-time data, memory constraints, frequent inaccurate diagnoses and an inability to monitor patient compliance and interaction. We believe these drawbacks lead to suboptimal diagnostic yields, adversely impacting clinical outcomes and health care costs. In a randomized clinical trial, the CardioNet System detected clinically significant arrhythmias nearly three times as often as traditional loop event monitors in patients who had previously experienced negative or nondiagnostic Holter monitoring.

The CardioNet System incorporates a lightweight patient-worn sensor attached to electrodes that capture two-lead electrocardiogram, or ECG, data measuring electrical activity of the heart and communicates wirelessly with a compact, handheld monitor. The monitor analyzes incoming heartbeat-by-heartbeat information from the sensor on a real-time basis by applying proprietary algorithms designed to detect arrhythmias. When the monitor detects an arrhythmic event, it automatically transmits the ECG to the CardioNet Monitoring Center, even in the absence of symptoms noticed by the patient and without patient involvement. At the CardioNet Monitoring Center, which operates 24 hours a day and 7 days per week, experienced certified cardiac monitoring specialists analyze the sent data, respond to urgent events and report results in the manner prescribed by the physician. The CardioNet System currently stores 21 days of ECG data, in contrast to 10 minutes for a typical event monitor. The CardioNet System employs two-way wireless communications, enabling continuous transmission of patient data to the CardioNet Monitoring Center and permitting physicians to remotely adjust monitoring parameters and request previous ECG data from the memory stored in the monitor.

Since our commercial introduction of the CardioNet System in January 2003, physicians have enrolled over 133,000 patients. Through June 30, 2008, we marketed our solution in 48 states. In addition, we have achieved reimbursement levels that we believe reflects the clinical efficacy of the CardioNet System relative to existing technologies. We have secured direct contracts with 181 commercial payors as of June 30, 2008. We estimate that, combined with Medicare, this represents more than 177 million covered lives.

Financial Results for the Three and Six Months ended June 30, 2008

We recently reported that the our revenues for the second quarter of 2008 increased to $29.3 million compared to $17.4 million in the second quarter of 2007, an increase of $11.9 million, or 68.4%. Our revenues for the six months ended June 30, 2008 increased to $54.8 million compared to $28.5 million in the comparable period in the prior year. After taking into account the acquisition of PDSHeart, Inc., which we acquired in March 2007, revenue in the first half of 2008 increased 68.2% to $54.8 million compared to $32.6 million in the same period last year.

Gross profit increased to $19.5 million in the second quarter of 2008, or 66.5% of revenues, compared to $11.5 million in the second quarter of 2007, or 65.8% of revenues. The 66.5% gross margin in the second quarter of 2008 also compares favorably to the 62.6% gross margin in the first quarter of 2008. For the first half of 2008, gross profit increased to $35.5 million, or 64.7% of revenues, compared to $18.8 million, or 65.8% of revenues, in the comparable period in the prior year. After taking into account the acquisition of PDSHeart, the 64.7% gross profit in the year to date period compares to 65.0% gross profit in the same period last year, a decrease of 30 basis points due to first quarter performance.

On a Generally Accepted Accounting Principles, or GAAP, basis, operating income increased to $2.5 million in the second quarter of 2008 compared to an operating loss of $1.0 million in the second quarter of 2007. Excluding $0.6 million of expense related to the integration of PDSHeart and other restructuring efforts, adjusted operating income increased to $3.1 million in the second quarter of 2008, or 10.7% of revenue, compared to an operating loss of $1.0 million in the second quarter of 2007.

On a GAAP basis, operating income for the first half of 2008 increased to $1.9 million compared to an operating loss of $3.2 million in the comparable period in the prior year. Excluding the impact of $1.9 million of integration, restructuring and other nonrecurring charges, adjusted operating income increased to $3.8 million in the first half of 2008, or 6.9% of revenue, compared to an operating loss of $3.2 million in the first half of 2007.

Net income for the second quarter of 2008 increased to $1.6 million, or $0.07 per diluted share, compared to a net loss of $1.1 million, or a loss of $0.36 per diluted share, as adjusted, for the same period last year. Net income for the second quarter of 2008, after excluding the impact of integration, restructuring and other nonrecurring charges, increased to $2.0 million, or $0.08 per diluted share, as adjusted, compared to a net loss of $1.1 million, or a loss of $0.36 per diluted share, as adjusted, for the same period last year. For a description of the adjustments made to the per share and other amounts described in this paragraph, you should refer to the reconciling tables on pages 10 and 11 of the accompanying prospectus.

Net income for the first half of 2008 increased to $1.3 million, or $0.06 per diluted share, as adjusted, compared to a net loss of $4.3 million, or a loss of $1.41 per diluted share, as adjusted, for the first half of 2007. Net income for the first half of 2008, after excluding the impact of integration, restructuring and other nonrecurring charges, increased to $2.4 million, or $0.11 per diluted share, as adjusted, compared to a net loss of $4.3 million, or a loss of $1.41 per diluted share, as adjusted, for the same period last year. For a description of the adjustments made to the per share and other amounts described in this paragraph, you should refer to the reconciling tables on pages 10 and 11 of the accompanying prospectus.

Net income available to common shareholders, which is derived by reducing net income by the accrued dividends and accretion on mandatorily redeemable convertible preferred stock, was $1.6 million, or $0.07 per diluted share, for the second quarter of 2008 compared to a net loss of

$3.5 million, or a loss of $1.13 per diluted share, for the second quarter of 2007. Net loss available to common shareholders for the six month period ending June 30, 2008 was $1.3 million, or a loss of $0.10 per diluted share, compared to a loss of $7.1 million, or a loss of $2.35 per diluted share, for the same period last year. The mandatorily redeemable convertible preferred stock, which was issued to finance the March 2007 PDSHeart acquisition, was converted to common stock in connection with our March 2008 initial public offering.

The information included above for the three and six months ended June 30, 2007 and 2008 for operating income, net income and earnings per share includes information that has not been prepared in accordance with GAAP. Such non-GAAP financial measures take into account our acquisition of PDSHeart in March 2007 as if it had taken place on January 1, 2007, and certain restructuring, integration and other nonrecurring charges. This non-GAAP information is provided to enhance the reader's overall understanding of our current financial performance and prospects for the future. We believe that these adjustments provide useful comparative data and reflect our business operations in a manner that is consistent with expected future operations. However, potential investors should consider these non-GAAP financial measures only in the context of the GAAP financial measures to which they relate. Please refer to the table on page 10 of the accompanying prospectus for a reconciliation of such non-GAAP financial measures to the directly comparable GAAP measures for the periods shown.

Other Recent Developments

Publication of Randomized Clinical Trial. We completed a 300-patient randomized clinical trial finding that the CardioNet System provided a significantly higher diagnostic yield compared to traditional loop event monitoring, including loop event monitoring incorporating a feature designed to automatically detect certain arrhythmias. We are using the clinical evidence from this trial to both drive continued physician adoption of our solution and to attempt to secure contracts with additional commercial payors. Of the 21 targeted commercial payors, representing approximately 95 million covered lives, who had previously required proof of product superiority evidenced by a published randomized clinical trial, we have secured contracts with three such payors, representing over 26 million covered lives, since publication of our trial results in March 2007. Several of the remaining payors have indicated that they do not believe that the data from the clinical trial is sufficient. We continue to work with these and other payors to secure reimbursement contracts.

Acquisition of PDSHeart, Inc. In March 2007, we acquired PDSHeart, Inc., a leading cardiac monitoring company that provides event, Holter and pacemaker monitoring services in 48 states. For the year ended December 31, 2006, PDSHeart provided event monitoring services to approximately 76,000 patients, representing approximately 80% of PDSHeart's $20.9 million in revenues for the year ending December 31, 2006. We believe that the acquisition of PDSHeart can have numerous benefits for us, including the opportunity to cross-sell into our respective customer bases and the ability to become a "one stop shop" for arrhythmia monitoring services given our full spectrum of solutions, ranging from our differentiated CardioNet System to event and Holter monitoring. We believe that only approximately 5% of our accounts overlapped with those of PDSHeart at the time of the acquisition, due primarily to our complementary geographic coverage. In 2006, we derived approximately 75% of our revenues from sales of our CardioNet System in the Northeast states, while PDSHeart derived approximately 80% of its revenues in states outside the Northeast. As a result, the acquisition has accelerated our market expansion strategy by providing us with immediate access to a sales force with existing physician relationships capable of marketing our CardioNet System in areas of the country where it had previously not been sold. Our sales force increased from 27 account executives at December 31, 2006 to 81 account executives as of June 30, 2008, largely as a result of the PDSHeart acquisition. On a consolidated basis, for the three months ended March 31, 2008, our revenues were $25.5 million.

The Offering

Common stock offered by the selling stockholders	5,000,000 shares
Over-allotment option	The selling stockholders have granted the underwriters an option for a period of 30 days to purchase up to 750,000 additional shares of common stock.
Common stock to be outstanding after this offering	22,985,279 shares
Use of proceeds.	We will not receive any of the proceeds from the sale of common stock by the selling stockholders. See "Use of Proceeds" in the accompanying prospectus.
Symbol on The Nasdaq Global Market	BEAT

The share amounts listed above are based on 22,985,279 shares outstanding as of March 31, 2008 and include 79,866 unvested shares held by employees. These amounts exclude:

- 1,704,804 shares of common stock issuable upon the exercise of outstanding options under our 2003 Equity Incentive Plan as of March 31, 2008 having a weighted average exercise price of $7.58 per share;

- 533,063 shares of common stock reserved for future issuance under our 2008 Equity Incentive Plan, 142,500 shares of common stock reserved for future issuance under our 2008 Non-Employee Directors' Stock Option Plan and 238,000 shares of common stock reserved for future issuance under our 2008 Employee Stock Purchase Plan; and

- 6,250 shares of common stock issuable upon the exercise of an outstanding warrant having an exercise price of $2.94 per share.

SELLING STOCKHOLDERS

The selling stockholders named below are offering for resale 5,000,000 shares of our common stock together with up to an additional 750,000 shares to cover over-allotments, if any. We previously issued these shares to the selling stockholders in various private placements completed prior to our initial public offering. These shares are a subset of the 11,963,440 shares that are being registered for resale pursuant to the registration statement of which this prospectus supplement forms a part and are being sold pursuant to the underwritten public offering described in this prospectus supplement. The remaining shares may be sold by the selling stockholders from time to time as described in the accompanying prospectus. The following table reflects the beneficial ownership of our capital stock prior to the underwritten offering, the number of shares being sold in the underwritten offering and the beneficial ownership of our capital stock following the underwritten offering, without reference to any shares that may be sold by the selling stockholders by the other means described in the accompanying prospectus.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, or SEC, and is based upon information provided by each respective stockholder identified below, Forms 4, Schedules 13D and 13G and other public documents filed with the SEC. The percentages of shares owned after the offering are based on 23,112,265 shares of our common stock outstanding as of May 15, 2008.

Unless otherwise indicated below, to our knowledge, all persons named in the table below have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. The inclusion of any shares in the table below does not constitute an admission of beneficial ownership for the person named below.

Except as noted in the footnotes below, none of the selling stockholders has held any position or office with us or our affiliates within the last three years or has had a material relationship with us or any of our predecessors or affiliates within the past three years, other than as a result of the ownership of our shares or other securities.

The selling stockholders identified below may have sold or transferred, in transactions exempt from the registration requirements of the Securities Act of 1933, as amended, or the Securities Act, or otherwise, some or all of their shares of common stock since the date on which the information in the table below is presented. Information about such stockholders may change over time.

The following table sets forth information regarding beneficial ownership of our capital stock outstanding as of May 15, 2008 by each selling stockholder.

				Percentage of shares beneficially owned	
	Number of shares beneficially owned before offering	Number of shares beneficially owned after offering	Number of shares to be sold in this offering	Before offering	After offering
Sanderling V Beteilingungs GmbH & Co. KG(1)	52,377	34,460	17,917	*	*
Sanderling V Biomedical Co-Investment Fund, L.P.(1)	218,158	143,534	74,624	*	*
Sanderling V Limited Partnership(1)	58,860	38,726	20,134	*	*
Sanderling Venture Partners V Co-Investment Fund, L.P.(1)	359,763	236,701	123,062	1.6%	1.0%
Sanderling Venture Partners VI Co-Investment Fund, L.P.(1)	317,633	208,983	108,650	1.4%	*
Sanderling Ventures	5,859	4,582	1,277	*	*

	Percentage of shares beneficially owned
Management V(1)	

Sanderling Ventures Management VI(1)	3,344	2,497	847	*	*
Sanderling VI Beteilingungs GmbH & Co. KG(1)	6,153	4,049	2,104	*	*
Sanderling VI Limited Partnership(1)	7,290	4,796	2,494	*	*
Sanderling [Feri Trust] Venture Partners IV, L.P.(1)	58,289	38,351	19,938	*	*
Sanderling IV Limited Partnership(1)	204,962	134,852	70,110	*	*
Sanderling Ventures Management IV(1)	62,182	51,547	10,635	*	*
Sanderling Venture Partners IV, L.P.(1)	525,373	345,661	179,712	2.3%	1.5%
Sanderling Venture Partners IV Co-Investment Fund, L.P.(1)	163,798	107,768	56,030	*	*
Sanderling IV Biomedical, L.P.(1)	204,524	134,563	69,961	*	*
Sanderling IV Biomedical Co-Investment Fund, L.P.(1)	327,630	215,560	112,070	1.4%	*
Total Sanderling funds	**2,576,195**	**1,706,630**	**869,565**	**11.1%**	**7.4%**
H&Q Healthcare Investors(2)	867,434	565,718	301,716	3.8%	2.4%
H&Q Life Sciences Investors(2)	579,380	377,856	201,524	2.5%	1.6%
Total H&Q funds	**1,446,814**	**943,574**	**503,240**	**6.3%**	**4.1%**
James M. Sweeney(3)	1,279,845	763,431	516,414	5.5%	3.3%
BioFrontier Global Investment Partnership(4)	1,004,975	131,083	873,892	4.3%	*
Inglewood Ventures, L.P.(5)	779,853	644,226	135,627	3.4%	2.8%
Guidant Investment Corporation/Boston Scientific Corporation(6)	689,873	449,917	239,956	3.0%	1.9%
Foundation Medical Partners L.P.(7)	627,597	81,860	545,737	2.7%	*
Credit Suisse Securities (USA) LLC(8)	468,189	305,340	162,849	2.0%	1.3%
Distant Ventures Limited Partnership(9)	350,000	263,043	86,957	1.5%	1.1%
Basso Fund Ltd.(10)	20,065	2,617	17,448	*	*
Basso Holdings Ltd.(11)	244,127	31,843	212,284	1.1%	*
Basso Multi-Strategy Holding Fund Ltd.(12)	70,228	9,160	61,068	*	*
Total Basso funds	**334,420**	**43,620**	**290,800**	**1.4%**	*****
IDEO Ventures LLC(13)	306,122	212,954	93,168	1.3%	*
Suttonbrook Capital Portfolio, L.P.(14)	267,536	151,216	116,320	1.2%	*

Whitebox Convertible Arbitrage Partners, LP(15)	267,536	34,896	232,640	1.2%	*
Penncrest Trust dated December 3, 1996(16)	217,182	165,008	52,174	*	*
Linden Capital L.P.(17)	167,210	21,810	145,400	*	*
Peter J. Callahan Revocable Trust dated 2/28/02	97,383	12,702	84,681	*	*
Arthur Marks	85,034	59,154	25,880	*	*
Terrence P. Ah Sing	78,620	61,529	17,091	*	*
Timothy Mills	25,000	17,391	7,609	*	*

*
Less than 1%.

(1)
Fred Middleton, one of our directors, and Robert G. McNeil share voting and investment power with respect to the shares held by the Sanderling IV entities. Fred A. Middleton, Robert G. McNeil, Timothy C. Mills and Timothy J. Wollaeger share voting and investment power with respect to the shares held by the Sanderling V entities. Robert G. McNeil, Fred A. Middleton, Timothy C. Mills and Timothy J. Wollaeger share voting and investment power with respect to the shares held by the Sanderling VI entities. Each of Messrs. Middleton, McNeil, Mills and Wollaeger disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(2)
Hambrecht & Quist Capital Management, LLC is the investment adviser to H&Q Life Sciences Investors and H&Q Healthcare Investors, each a Massachusetts business trust (together, the "H&Q Funds"). Daniel R. Omstead, Ph.D. is President of Hambrecht & Quist Capital Management, LLC and a member of the portfolio management team and, as such, has voting and investment power with respect to the shares held by the H&Q Funds. Dr. Omstead disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(3)
Includes shares of capital stock held by the James M. Sweeney Trust established May 24, 1999, of which James M. Sweeney is trustee. Includes a fully vested option to purchase 50,000 shares of capital stock. Of these 1,229,845 shares, 2,604 were subject to repurchase as of July 14, 2008.

(4)
Yoshihiro Ohtaki, the President and General Partner of BioFrontier Global Investment Partnership, has voting and investment power with respect to the shares held by BioFrontier Global Investment Partnership. Mr. Ohtaki disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(5)
Morton Ingle, the General Partner of Inglewood Ventures, L.P., has voting and investment power with respect to the shares held by Inglewood Ventures, L.P. Mr. Ingle disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(6)
Sam R. Leno, Executive Vice President and Chief Financial Officer of Guidant Investment Corporation/Boston Scientific Corporation, has voting and investment power with respect to the shares held by Guidant Investment Corporation/Boston Scientific Corporation. Mr. Leno disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(7)
Harry Rein, the General Partner of Foundation Medical Partners L.P., is one of our directors.

(8)
Doug Teresko, a Director of Credit Suisse Securities (USA) LLC, has voting and investment power with respect to the shares held by Credit Suisse Securities (USA) LLC. Mr. Teresko disclaims

beneficial ownership of these shares except to the extent of his pecuniary interest therein. Credit Suisse Securities (USA) LLC has indicated that it is a Financial Industry Regulatory Authority, or FINRA member. However, Credit Suisse Securities (USA) LLC has indicated that it purchased the shares offered hereby in the ordinary course of business and has no arrangements or understandings, directly or indirectly, with any person to distribute such shares.

(9)

Karl A. Kail, IV and Laura Kail, each a Manager of Amcrest LLC, the General Partner of Distant Ventures Limited Partnership, have voting and investment power with respect to the shares held by Distant Ventures Limited Partnership. Each of Mr. and Mrs. Kail disclaims beneficial ownership of these shares except to the extent of his or her pecuniary interest therein.

(10)

Basso Capital Management, L.P. is the Investment Manager to Basso Fund Ltd. Howard Fischer is a Managing Member of Basso GP LLC, the General Partner of Basso Capital Management, L.P. Mr. Fischer has voting and investment power with respect to the shares held by Basso Fund Ltd. Mr. Fischer disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(11)

Basso Capital Management, L.P. is the Investment Manager to Basso Holdings Ltd. Howard Fischer is a Managing Member of Basso GP LLC, the General Partner of Basso Capital Management, L.P. Mr. Fischer has voting and investment power with respect to the shares held by Basso Holdings Ltd. Mr. Fischer disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(12)

Basso Capital Management, L.P. is the Investment Manager to Basso Multi-Strategy Holding Fund Ltd. Howard Fischer is a Managing Member of Basso GP LLC, the General Partner of Basso Capital Management, L.P. Mr. Fischer has voting and investment power with respect to the shares held by Basso Multi-Strategy Holding Fund Ltd. Mr. Fischer disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(13)

David Strong, Chief Operating Officer and Chief Financial Officer of IDEO Ventures LLC, has voting and investment power with respect to the shares held by IDEO Ventures LLC. Mr. Strong disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(14)

John London and Steven M. Weinstein, each a Principal of Suttonbrook Capital Management LP, the Investment Manager of Suttonbrook Capital Portfolio, L.P., have voting and investment power with respect to the shares held by Suttonbrook Capital Portfolio, L.P. Each of Messrs. London and Weinstein disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(15)

Andrew J. Redleaf, the Managing Member of Whitebox Advisors, LLC, the General Partner of Whitebox Convertible Arbitrage Partners, LP, has voting and investment power with respect to the shares held by Whitebox Convertible Arbitrage Partners, LP. Mr. Redleaf disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(16)

Karl A. Kail, IV and Laura Kail, co-Trustees of the Penncrest Trust dated December 3, 1996, have voting and investment power with respect to the shares held by the Penncrest Trust dated December 3, 1996. Each of Mr. and Mrs. Kail disclaims beneficial ownership of these shares except to the extent of his or her pecuniary interest therein.

(17)

Siu Min Wong, the Managing Member of Linden GP LLC, the General Partner of Linden Capital L.P., has voting and investment power with respect to the shares held by Linden

Capital L.P. Mr. Siu Min Wong disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

Each of the selling stockholders has granted to the underwriters an option to purchase from such selling stockholder an additional 15% of the shares to be sold by such selling stockholder as set forth in the table above to cover over-allotments, if any, incurred in connection with the offering. If these options are exercised, the additional shares will be purchased by the underwriters pro rata from the several selling stockholders, and such selling stockholders' number and percentage shares of common stock owned after the offering will proportionately decline.

UNDERWRITING

Citigroup Global Markets Inc. is acting as sole bookrunning manager of the offering, and, together with Banc of America Securites LLC, Leerink Swann LLC, Cowen and Company, LLC and Thomas Weisel Partners LLC, is acting as a representative of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to purchase, and the selling stockholders have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter's name.

Underwriter	Number of shares
Citigroup Global Markets Inc.	2,250,000
Banc of America Securities LLC	1,000,000
Leerink Swann LLC	1,000,000
Cowen and Company, LLC	375,000
Thomas Weisel Partners LLC	375,000
Total	5,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the over-allotment option described below) if they purchase any of the shares.

The underwriters propose to offer some of the shares directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the shares to dealers at the public offering price less a concession not to exceed $0.8348 per share. If all of the shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms.

The selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 750,000 additional shares of common stock at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter's initial purchase commitment.

We and our Chief Executive Officer and Chief Financial Officer, our directors directly affiliated with any of the selling stockholders and the selling stockholders have agreed that, for a period of 90 days from the date of this prospectus supplement, we and they will not, without the prior written consent of Citigroup Global Markets Inc., dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for our common stock. These restrictions are subject to certain exceptions, including the (i) issuance and sale of our common stock, and options exercisable for common stock, pursuant to, and the filing of a registration statement relating to, any employee stock option plan, stock ownership plan or dividend reinvestment plan of the Company currently in effect and (ii) issuance of our common stock upon the conversion of securities or other rights described in this prospectus supplement and the accompanying prospectus or the exercise of warrants currently outstanding, as well as the exceptions described in "Shares Eligible for Future Sale Lock-up Agreements" in the accompanying prospectus. Citigroup Global Markets Inc. in its sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

The 90 day lock-up period will be extended if we issue an earnings release or material news, or a material event relating to us occurs, during the last 17 days of the lock-up period or, prior to the expiration of this period, we announce that we will release earnings results during the 16-day period beginning on the last day of the lock-up period; in each such case the restrictions shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, unless Citigroup Global Markets Inc. waives, in writing, such extension.

Each underwriter has represented, warranted and agreed that:

it has not offered or sold and, prior to the expiry of a period of six months from the closing date, will not offer or sell any shares included in this offering to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

it has only communicated and caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any shares included in this offering in circumstances in which section 21(1) of the FSMA does not apply to us;

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares included in this offering in, from or otherwise involving the United Kingdom; and

the offer in The Netherlands of the shares included in this offering is exclusively limited to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises).

If you purchase shares of common stock offered by this prospectus supplement and the accompanying prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus supplement.

Our common stock is listed on the Nasdaq Global Market under the symbol "BEAT."

The following table shows the underwriting discounts and commissions that the selling stockholders are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of common stock.

	Paid by selling stockholders	
	No Exercise	**Full Exercise**
Per share	$ 1.3913	$ 1.3913
Total	$ 6,956,500	$ 7,999,975

The selling stockholders will pay the underwriting discounts and commissions on a pro rata basis, based on the number of shares of common stock being sold by each selling stockholder in this offering.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

We have agreed to indemnify the selling stockholders in this offering against certain liabilities that they may incur in connection with the sale of their shares in this offering. We have also agreed to pay the fees and disbursements incurred by one special counsel, DLA Piper, on behalf of the selling stockholders who have engaged DLA Piper in connection with the sale of their shares in this offering.

In connection with the offering, Citigroup Global Markets Inc. on behalf of the underwriters, may purchase and sell shares of common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of common stock in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. "Covered" short sales are sales of shares made in an amount up to the number of shares represented by the underwriters' over-allotment option. In determining the source of shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Transactions to close out the covered syndicate short involve either purchases of the common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make "naked" short sales of shares in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of shares in the open market while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when Citigroup Global Markets Inc. repurchases shares originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the common stock. They may also cause the price of the common stock to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the Nasdaq Global Market or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

In addition, in connection with this offering, some of the underwriters (and selling group members) may engage in passive market making transactions in the common stock on the Nasdaq Global Market, prior to the pricing and completion of the offering. Passive market making consists of displaying bids on the Nasdaq Global Market no higher than the bid prices of independent market makers and making purchases at prices no higher than those independent bids and effected in response to order flow. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker's average daily trading volume in the common stock during a specified period and must be discontinued when that limit is reached. Passive market making may cause the price of the common stock to be higher than the price that otherwise would exist in the open market in the absence of those transactions. If the underwriters commence passive market making transactions, they may discontinue them at any time.

A prospectus supplement and accompanying prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. The representatives may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. The representatives will allocate shares to underwriters that may make internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

Citigroup Global Markets Inc. has performed investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of common stock described in this prospectus supplement may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the common stock that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or

- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts or

- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of common stock described in this prospectus supplement located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this provision, the expression an "offer to the public" in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

The sellers of the common stock have not authorized and do not authorize the making of any offer of common stock through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the common stock as contemplated in this prospectus supplement. Accordingly, no purchaser of the common stock, other than the underwriters, is authorized to make any further offer of the common stock on behalf of the sellers or the underwriters.

Notice to Prospective Investors in the United Kingdom

This prospectus supplement and the accompanying prospectus are only being distributed to, and are only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive ("Qualified Investors") that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This prospectus supplement and the accompanying prospectus and their contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the

United Kingdom that is not a relevant persons should not act or rely on this document or any of its contents.

Notice to Prospective Investors in France

Neither this prospectus supplement nor the accompanying prospectus nor any other offering material relating to the common stock described in this prospectus supplement and the accompanying prospectus has been submitted to the clearance procedures of the Autorité des Marchés Financiers or by the competent authority of another member state of the European Economic Area and notified to the Autorité des Marchés Financiers. The common stock have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus supplement nor the accompanying prospectus nor any other offering material relating to the common stock has been or will be

- released, issued, distributed or caused to be released, issued or distributed to the public in France or
- used in connection with any offer for subscription or sale of the common stock to the public in France.

Such offers, sales and distributions will be made in France only

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, Article L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier* or
- to investment services providers authorized to engage in portfolio management on behalf of third parties or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the Autorité des Marchés Financiers, does not constitute a public offer (*appel public à l'épargne*).

The common stock may be resold directly or indirectly, only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

LEGAL MATTERS

The validity of the shares of common stock being offered by this prospectus supplement will be passed upon for us by Cooley Godward Kronish LLP, San Diego, California. Dewey & LeBoeuf LLP, New York, New York, is counsel for the underwriters in connection with this offering.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

This prospectus supplement is part of a registration statement on Form S-1 that we filed with the SEC. Certain information in the registration statement has been omitted from this prospectus supplement in accordance with the rules of the SEC. We are a public company and file proxy statements, annual, quarterly and special reports and other information with the SEC. The registration statement, such reports and other information can be inspected and copied at the Public Reference Room of the SEC located at 100 F Street, N.E., Washington D.C. 20549. Copies of such materials, including copies of all or any portion of the registration statement, can be obtained from the Public Reference Room of the SEC at prescribed rates. You can call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room. Such materials may also be accessed electronically by means of the SEC'