

CardioNet, Inc.  
Form DEF 14A  
March 28, 2012

QuickLinks -- Click here to rapidly navigate through this document

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 under §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.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:

Edgar Filing: CardioNet, Inc. - Form DEF 14A

- o Fee paid previously with preliminary materials.
  - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
    - (1) Amount Previously Paid:
    - (2) Form, Schedule or Registration Statement No.:
    - (3) Filing Party:
    - (4) Date Filed:
-

**CARDIONET, INC.**

227 Washington Street #210  
Conshohocken, Pennsylvania 19428

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 4, 2012**

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 4, 2012 at 8:30 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 Kirk E. Gorman, who has been recommended by the Board of Directors as a Class II director, to hold office until the 2015 Annual Meeting of Stockholders.
2. To approve the CardioNet, Inc. 2008 Equity Incentive Plan in accordance with Internal Revenue Code Section 162(m).
3. To ratify the selection by the Audit Committee of the Company's Board of Directors of Ernst & Young LLP as the Company's independent registered public accounting firm for its fiscal year ending December 31, 2012.
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 12, 2012. 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

Peter Ferola  
*Secretary*

Date: March 28, 2012  
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 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.**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON MAY 4, 2012: The proxy statement and 2011 annual report on form 10-K are available at <http://www.cardionet.com> in the "Investor Relations" section.**

---

**CARDIONET, INC.**

227 Washington Street #210  
Conshohocken, Pennsylvania 19428

**PROXY STATEMENT  
FOR THE 2011 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 4, 2012  
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 2012 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.

The Company intends to mail this proxy statement and accompanying proxy card on or about March 28, 2012 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 12, 2012, will be entitled to vote at the annual meeting. On this record date, there were 24,339,485 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 12, 2012, 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 to ensure your vote is counted.

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

If on March 12, 2012, 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.

**What am I voting on?**

The following matters will be voted on at the Annual Meeting:

To elect Kirk E. Gorman, who has been recommended by the Board of Directors as a Class II director, to hold office until the 2015 Annual Meeting of Stockholders;

To approve the CardioNet, Inc. 2008 Equity Incentive Plan in accordance with Internal Revenue Code Section 162(m);

## Edgar Filing: CardioNet, Inc. - Form DEF 14A

To ratify of the selection by the Audit Committee of our Board of Directors of Ernst & Young LLP as the Company's independent registered public accounting firm for its fiscal year ending December 31, 2012; and

Such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

### **How do I vote?**

#### *Stockholder of Record: Shares Registered in Your Name*

If you are a stockholder of record, you may vote in person at the annual meeting or vote by proxy using the enclosed proxy card. 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.

#### *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 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 12, 2012.

### **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 nominee listed in Proposal No. 1 for director (Proposal No. 1), "For" the approval of our 2008 Equity Incentive Plan in accordance with Internal Revenue Code Section 162(m) (Proposal No. 2); and "For" the ratification of the selection of Ernst & Young LLP, as the Company's independent public accounting firm for the fiscal year ending December 31, 2012 (Proposal No. 3). 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 2011 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 #210, 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?**

Stockholders who wish to include proposals in the proxy statement for the 2013 Annual Meeting must submit such proposals in accordance with regulations adopted by the Securities and Exchange Commission. To be considered for inclusion in the proxy statement for the 2013 Annual Meeting, such stockholder proposals must be submitted in writing by November 25, 2012. In addition, stockholders may wish to have a proposal presented at the 2013 Annual Meeting but not to have such proposal included in the proxy statement for the 2013 Annual Meeting. Pursuant to our bylaws, notice of any such proposal must be received by us between January 4, 2013 and February 3, 2013. If it is not received during this period, such proposal shall be deemed "untimely" for purposes of Rule 14a-4(c) under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and, therefore, the proxies will have the right to exercise discretionary voting authority with respect to such proposal. Any stockholder proposals must be submitted to CardioNet's Secretary at 227 Washington Street #210, Conshohocken, Pennsylvania 19428. You should submit any proposal by a method that permits you to prove the date of delivery to us.

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.

## Edgar Filing: CardioNet, Inc. - Form DEF 14A

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 include the election of directors and generally those matters 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?**

Proposal No. 1, the election of one Class II nominee who is elected by a plurality, the nominee 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. Brokers may no longer vote your shares on the election of directors in the absence of your specific instructions as to how to vote. We encourage you to provide instructions to your broker regarding the voting of your shares.

Proposal No. 2, the approval of the CardioNet, Inc. 2008 Equity Incentive Plan in accordance with Internal Revenue Service Code Section 162(m) 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.

Proposal No. 3, ratification of the selection of Ernst & Young LLP, Independent Registered Public Accounting Firm, as the Company's independent public accounting firm for the fiscal year ending December 31, 2012, 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 24,339,485 shares outstanding and entitled to vote. Thus, the holders of 12,169,743 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 reported by the Company on Form 8-K within four business days after the annual meeting.

**PROPOSAL ONE:  
ELECTION OF DIRECTORS**

Our Board of Directors currently consists of six 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 one director and Class III consists of three 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 six members and there is currently one director serving as Class II director. The term of office of the Class II directors expires in 2012. We are nominating Kirk E. Gorman. Mr. Gorman was appointed by the Board of Directors in August 2008. If elected at the annual meeting, this nominee would serve until the 2015 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.

There is one vacancy in Class I and two vacancies in Class II directors. We are seeking to identify individuals to fill these vacancies. All of our directors attended our 2011 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 Our Named Nominee.**

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

Name	Age	Position
<b>Directors:</b>		
<b>Class II Directors:</b>		
Kirk E. Gorman(1)	61	Director and Chairman
<b>Class III Directors:</b>		
Eric N. Prystowsky, M.D.(2)(3)	64	Director
Rebecca W. Rimel(2)	60	Director
Robert J. Rubin, M.D. (1)(3)	66	Director
<b>Class I Directors:</b>		
Ronald A. Ahrens(1)(2)(3)	72	Director
Joseph H. Capper	48	Director, President and Chief Executive Officer

(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 2015 ANNUAL MEETING**

**Kirk E. Gorman.** Mr. Gorman has been a member of our Board of Directors since August 2008 and our Chairman since October 2011. Mr. Gorman has served as the Executive Vice President, Chief Financial Officer of Jefferson Health System, a hospital system in Philadelphia, Pennsylvania since September 2003. 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 June 2007 to October 2009, he also served on the board of Care Investment Trust, a real estate investment trust. 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 and an M.B.A. from the Amos Tuck School of Business. Mr. Gorman brings extensive financial knowledge and experience as the Chief Financial Officer of numerous healthcare related companies, including Jefferson Health System, the largest hospital system in Philadelphia. His specific and ongoing healthcare related financial experience with reimbursement, tax, accounting, and financial and strategic planning is especially valuable to the Company. Mr. Gorman also brings significant public company board of director and audit committee experience.

**THE BOARD OF DIRECTORS RECOMMENDS  
A VOTE IN FAVOR OF THE NOMINEE NAMED ABOVE.**

**DIRECTORS CONTINUING IN OFFICE UNTIL THE 2013 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. Dr. Prystowsky brings relevant real-time clinical and academic experience as a published and renowned electrophysiologist with St. Vincent Hospital and Consulting Professor at Duke University. Dr. Prystowsky's knowledge of and experience with cardiac medicine is vast and includes leading positions within the American Heart Association as well as the Heart Rhythm Society. Dr. Prystowsky also brings to the Board of Directors specific experience in serving as a board member of another company.

**Rebecca W. Rimel.** Ms. Rimel has been a member of our Board of Directors since May 2009. She joined The Pew Charitable Trusts in 1983 as Health Program Manager and has led the organization for 20 years as Executive Director from 1988 through 1994 and in her current position as President and CEO since 1994. From 1981 through 1983, Ms. Rimel served as Assistant Professor in the Department of Neurosurgery at the University of Virginia Hospital. Along with additional teaching and practitioner positions at the University of Virginia Hospital, she also held the title of Head Nurse of the medical center's emergency department. Ms. Rimel serves as a member of the Board of The Pew Charitable Trusts, and on the Boards of DWS Mutual Funds and Washington College. Ms. Rimel brings to the Company a superior reputation for leadership and experience in the clinical, academic and business sectors of the healthcare industry. She has had, and continues to build, an exemplary career in public policy, non-profit administration, advocacy and innovation related to the healthcare field. Ms. Rimel received her Bachelor of Science from the University of Virginia School of Nursing, and earned a Master of Business Administration from James Madison University. Ms. Rimel's education and professional experience serves as a basis for her contributions, past and present, as a member of the board of directors for various public and private companies.

**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, he 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, he 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 serves as a member of the Board of Directors of Soligenix, Inc. He is a board certified nephrologist and internist. He received an undergraduate degree in Political Science from Williams College and an M.D. from Cornell University. Dr. Rubin brings over 30 years of specific experience as a professor, policy maker, clinician and business professional dedicated to the medical profession. His specific experience with the United States Department of Health and Human Services and Assistant Surgeon General is a unique and invaluable qualification lending insight into governmental practice, policy making and regulation.

Dr. Rubin's extensive and diverse background in education, government and business allows him to serve as a resource on a broad spectrum of matters.

**DIRECTORS CONTINUING IN OFFICE UNTIL THE 2014 ANNUAL MEETING**

**Ronald A. Ahrens.** Mr. Ahrens has been a member of our Board of Directors since August 2008 and Chairman of our Compensation Committee since December, 2009. 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 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. Mr. Ahrens is a veteran of the healthcare industry and brings to the Board over forty years of senior executive and management experience with both public and private pharmaceutical and device companies. He has also established a strong track record of serving and consulting for significant public and private company board of directors. Mr. Ahrens' breadth of knowledge and hands-on business experience provides him with the necessary skill to serve as the Chairman of the Compensation Committee for our Board of Directors and to easily relate to and liaison between other members and executives within the Company.

**Joseph H. Capper.** Mr. Capper has been our President and Chief Executive Officer and a member of our Board of Directors since June 2010. Mr. Capper has served as President, Chief Executive Officer and member of the Board of Directors of Home Diagnostics, Inc., a leading developer, manufacturer and marketer of diabetes management products. Mr. Capper joined Home Diagnostics in 2009. Home Diagnostics was listed on the NASDAQ stock market until its strategic merger. Prior to Home Diagnostics, from 2002 to 2009, Mr. Capper was President and Chief Executive Officer of CCS Medical Inc., a private company that is a leading provider of medical supplies in diabetes, wound care, respiratory and other therapeutic categories. Earlier in his career, Mr. Capper spent nine years with Bayer Corporation, ultimately becoming National Sales Director of the Diabetic Products Division. Mr. Capper also served in the U.S. Navy as a combat aviator and subsequently as a Congressional Liaison. Mr. Capper received an undergraduate degree in Accounting from West Chester University and an MBA in International Finance from George Washington University. Mr. Capper brings an extensive amount leadership and diverse experience in public and private companies.

**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, Ms. Rimel and Drs. 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. Capper, the Company's President and Chief Executive Officer is not an independent director by virtue of his employment with the Company.

## **BOARD LEADERSHIP STRUCTURE AND ROLE IN OVERSIGHT OF RISK**

Our Board leadership structure is currently composed of an independent Chairman of the Board of Directors, an independent Audit Committee Chairman, an independent Nominating and Corporate Governance Committee Chairman, and an independent Compensation Committee Chairman. Kirk E. Gorman has served as a member of our Board of Directors since August of 2008 and the Chairman of our Board of Directors since October, 2011. In December 2009, the Board of Directors designated Ronald A. Ahrens as the lead independent director (the "Lead Director"). In October 2011, Mr. Thurman resigned from his position as the Chairman, and as a member of the Board of Directors. His resignation marked the end of a transition plan, which commenced in June 2010, and was designed to ensure a successful transition for the Company's Chief Executive Officer, Joseph H. Capper. Subsequent to Mr. Thurman's departure, the Company appointed Mr. Gorman to serve as Chairman of our Board of Directors. With the appointment of Mr. Gorman as an independent Chairman of the Board of Directors, the Company no longer required the role of Lead Director, and dissolved the position.

Our Board of Directors recognizes the importance of effective risk oversight in running a successful business, and in fulfilling its fiduciary responsibilities to CardioNet and its stockholders. While the Chief Executive Officer, the General Counsel and other members of our senior leadership team are responsible for the day-to-day management of risk, our Board of Directors is responsible for ensuring that an appropriate culture of risk management exists within the Company and for setting the right "tone at the top," overseeing our aggregate risk profile, and assisting management in addressing specific risks, such as strategic and competitive risks, financial risks, brand and reputation risks, legal risks, regulatory risks, and operational risks.

The Board believes that its current leadership structure best facilitates its oversight of risk by combining independent leadership, through the independent chairman, independent board committees, and majority independent board composition. The Chairman, independent committee chairs, and other directors also are experienced professionals or executives who can and do raise issues for board consideration and review, and are not hesitant to challenge management. The Board believes there is a well-functioning and effective balance between the independent Chairman and non-executive board members, which enhances risk oversight.

**MEETINGS OF THE BOARD OF DIRECTORS**

The Board of Directors met twenty six (26) times during the fiscal year ended December 31, 2011. 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, 2011, the Board of Directors of CardioNet maintained three committees; the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The following table provides membership information for each of the committees of the Board of Directors as of March 12, 2012:

Name	Audit	Compensation	Nominating and Corporate Governance
Ronald A. Ahrens	X	X*	X
Robert J. Rubin, M.D.	X		X*
Eric N. Prystowsky, M.D.		X	X
Kirk E. Gorman	X*		
Rebecca W. Rimel		X	

\*

Committee Chairperson

Below is a description of each committee of the Board of Directors as such committees have been constituted during the fiscal year ended December 31, 2011 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 registered public accounting firm and determining whether to retain their services for the ensuing year;

reviewing and pre-approving the engagement of our independent registered public accounting firm 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 registered public accounting firm and management;

reviewing with our independent registered public accounting firm 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



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

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

Our Audit Committee currently consists of Messrs. Gorman, Ahrens and Dr. Rubin, each of whom is a non-employee director of our Board of Directors. Mr. Gorman is currently the Chairman of our Audit Committee. Mr. Ahrens joined the Committee in April to fill the vacancy created by the departure of Fred Middleton in April, 2011. The Audit Committee met five (5) times in 2011. 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). The Board of Directors has determined that Kirk Gorman is a financial expert.

In light of Mr. Gorman's appointment as Chairman of the Board, the Nominating and Governance Committee of the Board of Directors is in the process of identifying candidates to replace Mr. Gorman in his role as Chairman of the Audit Committee. Mr. Gorman remains serving in both roles until the Board is able to identify and add such a candidate as a member of the Company's Board of Directors.

#### **Report of the Audit Committee of the Board of Directors**

During fiscal year 2011, the Audit Committee met five (5) 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, 2011 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 2011 be included in the Company's Annual Report to shareholders on Form 10-K filed with the Securities and Exchange Commission.

Kirk E. Gorman, Chair  
Ronald A. Ahrens  
Robert J. Rubin, 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, Dr. Prystowsky and Ms. Rimel. All members of the Company's Compensation Committee are independent (as independence is currently defined in Rule 4200(a)(15))

## Edgar Filing: CardioNet, Inc. - Form DEF 14A

of the NASDAQ listing standards and section 162(m) of the Internal Revenue Code of 1986, as amended. In fiscal year 2011, the Compensation Committee met four (4) times.

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;

reviewing incentive compensation arrangements to ensure that such compensation arrangements do not encourage unnecessary risk taking; 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.





## Edgar Filing: CardioNet, Inc. - Form DEF 14A

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, 2011 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, Mr. Ahrens, Ms. Rimel and Dr. Prystowsky currently serve, and previously served during fiscal year 2011, as members of the Compensation Committee. No member of the Compensation Committee has ever been an executive officer or employee of the Company. 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**

During fiscal year 2011, the Nominating and Corporate Governance Committee met one (1) time. 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).

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.



## Edgar Filing: CardioNet, Inc. - Form DEF 14A

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.

The Nominating and Corporate Governance Committee places a high priority on identifying individuals with diverse skill sets and types of experience including identification of individuals from among the medical professional and medical device communities. 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 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 2013 Annual Meeting of Stockholders may do so by delivering a written recommendation to the Nominating and Corporate Governance Committee on or before December 31, 2012 at the following address: 227 Washington Street #210, 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>.

**EXECUTIVE OFFICERS**

The following table sets forth information regarding our executive officers as of March 12, 2012:

Name	Age	Position
<b>Executive Officers:</b>		
Joseph H. Capper	48	Director, Chairman, President and Chief Executive Officer
Heather C. Getz, CPA	37	Senior Vice President and Chief Financial Officer
Peter Ferola	43	Senior Vice President, Corporate Development and General Counsel
Anna McNamara, RN	64	Senior Vice President, Clinical Operations
Jareer Kasrawi	40	Senior Vice President, Strategic Contracting
Daniel Wisniewski	48	Senior Vice President, Business Operations
George Hrenko	49	Senior Vice President, Human Resources and Organizational Excellence
Charles Gropper	54	Senior Vice President, Research and Development
Anthony Schuler	40	Senior Vice President, Sales

**Biographical Information for Executive Officers**

**Joseph H. Capper.** Mr. Capper was appointed President and Chief Executive Officer and a member of the Board of Directors of CardioNet in June 2010. Prior to CardioNet, Mr. Capper served as President, Chief Executive Officer and member of the Board of Directors of Home Diagnostics, Inc., a leading developer, manufacturer and marketer of diabetes management products. Mr. Capper joined Home Diagnostics in 2009 and positioned the Company for a strategic merger in a transaction that created substantial value to its stockholders. Home Diagnostics was listed on the NASDAQ stock market until its strategic merger. Prior to Home Diagnostics, from 2002 to 2009, Mr. Capper was President and Chief Executive Officer of CCS Medical Inc., a private company that is a leading provider of medical supplies in diabetes, wound care, respiratory and other therapeutic categories. Earlier in his career, Mr. Capper spent nine years with Bayer Corporation, ultimately becoming National Sales Director of the Diabetic Products Division. Mr. Capper also has a distinguished service record having served in the U.S. Navy as a combat aviator and subsequently as a Congressional Liaison. Mr. Capper received an undergraduate degree in Accounting from West Chester University and an MBA in International Finance from George Washington University.

## Edgar Filing: CardioNet, Inc. - Form DEF 14A

**Heather C. Getz, CPA.** Ms. Getz was appointed Senior Vice President and Chief Financial Officer in January 2010. Ms. Getz joined CardioNet in May 2009 as Vice President of Finance. From April 2008 to May 2009, Ms. Getz was Vice President of Finance at Alita Pharmaceuticals, Inc., a privately held specialty pharmaceutical company, responsible for all areas of finance, accounting and information systems. Prior to Alita Pharmaceuticals, Inc., from March 2002 to April 2008, Ms. Getz held various financial leadership positions at VIASYS Healthcare Inc., a healthcare technology company, including directing the company's global financial planning, budgeting and analysis, and external reporting functions. From June, 1997 to February 2002, Ms. Getz began her career at Sunoco, Inc., where she held various positions of increasing responsibility. Ms. Getz is a certified public accountant, and received her undergraduate degree in Accountancy and an MBA from Villanova University.

**Peter Ferola.** Mr. Ferola joined CardioNet in February 2011 with over 19 years of progressive leadership experience in business management, legal affairs and corporate governance. From 2009 to 2011, Mr. Ferola served as Vice President, General Counsel and Secretary of Nipro Diagnostics, Inc. (formerly Home Diagnostics, Inc., NASDAQ: HDIX). Prior to joining Home Diagnostics, Mr. Ferola worked as a corporate and securities attorney with Greenberg Traurig LLP and with Dilworth Paxson, LLP in Washington, D.C. focusing on mergers, acquisitions, public securities offerings and corporate governance matters. From 1989 to 2002, Mr. Ferola worked in executive management roles for an American Stock Exchange-listed company, most recently serving as Vice President Administration and Corporate Secretary, overseeing the Company's administrative functions, legal matters and investor relations. Mr. Ferola earned a Bachelor of Science and Juris Doctor degree from Nova Southeastern University and a Master of Laws in Securities and Financial Regulation from Georgetown University Law Center. Mr. Ferola has authored numerous articles on corporate and securities laws, with a particular focus on audit committees and regulations implemented in the wake of the Sarbanes-Oxley Act of 2002.

**Anna McNamara, RN.** Ms. McNamara joined CardioNet in 2002 serving in various Clinical Operations roles. She currently serves as our Senior Vice President, Clinical Operations. 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.

**Jareer Kasrawi.** Mr. Kasrawi joined CardioNet in 2008 as part of the sales leadership team. He was named Senior Vice President, Strategic Contracting in May 2011. Mr. Kasrawi brings 16 years of medical/pharmaceutical sales and sales leadership experience in the cardiovascular, anesthesia, spinal cord injury, and auto-immune market places. Most recently, Mr. Kasrawi served as Area Vice President for CardioNet from 2008-2011. Prior to CardioNet, Mr. Kasrawi held various sales and sales leadership positions at Reliant Pharmaceuticals and Jones Medical Industries. Mr. Kasrawi received an undergraduate degree in Speech Communication from Oregon State University.

## Edgar Filing: CardioNet, Inc. - Form DEF 14A

**Daniel Wisniewski.** Mr. Wisniewski joined CardioNet in December 2010 with over 20 years of experience in executive leadership, information systems, and operations. Most recently, from 2000 to 2010, Mr. Wisniewski served as Chief Information Officer with CCS Medical, Inc. As the Chief Information Officer, Mr. Wisniewski was responsible for developing a highly scalable patient centric operational infrastructure focused on compliance, growth and expense control within the healthcare industry. Prior to CCS Medical, Inc., Mr. Wisniewski held various roles within the nuclear and banking industries with increasing responsibilities in information systems and general management. Mr. Wisniewski began his career as an U.S. Navy Nuclear Trained Naval Officer. Mr. Wisniewski received his undergraduate degree in Electrical Engineering from Virginia Military Institute.

**George Hrenko.** Mr. Hrenko joined CardioNet in 2008 as its VP of Human Resources and was named Senior Vice President, Human Resources and Organizational Excellence in May 2010. Most recently, Mr. Hrenko served as a Director of Human Resources for Target Corporation from February 2002 to March 2007. From December 1998 to February 2002, Mr. Hrenko held several positions with Bank One Corporation, including First Vice President, Human Resources Generalist, Vice President, Compensation, and Vice President, Corporate Staffing. From 1996 to 1998 he served as Managing Director, Human Resources for Continental Airlines. Prior to Continental Airlines, Mr. Hrenko served as Human Resources Manager at Pepsi-Cola Co, Pepsico, Inc., from 1987 to 1996. Mr. Hrenko received an undergraduate degree in English and Psychology from Penn State University.

**Charles Gropper.** Mr. Gropper joined CardioNet in January 2008 as our Vice President of Research and Development. Mr. Gropper was named our Senior Vice President of Research and Development in May, 2010. Mr. Gropper brings nearly 30 years of experience in the design and development of medical devices. Prior to CardioNet, Mr. Gropper most recently served as Vice President, Engineering at HepaHope, Inc., working on the design of an artificial liver system from 2005 to 2008. Prior to his experience with HepaHope, Mr. Gropper has held several senior engineering management positions with such companies as Cameron Health, Inc., Cardiac Science, Inc. Datascope Corp., and Bear Medical Systems. Mr. Gropper received his undergraduate degree in Biomedical Engineering from Rensselaer Polytechnic Institute and an MBA from California State University, Fullerton.

**Anthony Schuler.** Mr. Schuler joined CardioNet in 2007 as a Regional Sales director through the acquisition of PDS Heart, Inc. Most recently, Mr. Schuler served as Area Vice President for CardioNet from May 2009 to June 2011. From September 2003 to March 2007, Mr. Schuler held various positions with PDS Heart, including Account Executive and Regional Sales Director. From 1994 through 2001, Mr. Schuler was a school teacher and high school football coach. Mr. Schuler received an undergraduate degree in Education and Child Psychology from Moravian College.

**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 12, 2012 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
Robert J. Rubin, M.D.(2)	100,194	*
Eric N. Prystowsky, M.D.(3)	84,562	*
Ronald A. Ahrens(4)	99,676	*
Kirk E. Gorman(5)	74,229	*
Rebecca W. Rimel(6)	45,594	*
Joseph H. Capper(7)	138,558	
Heather C. Getz, CPA(8)	61,885	*
Peter Ferola(9)	18,750	
Anna McNamara(10)	50,311	*
Jareer Kasrawi(11)	30,893	*
BlackRock, Inc.(12)	1,529,460	6.3%
Camber Capital Management LLC(13)	2,366,412	9.7%
Trigran Investments Inc.(14)	1,957,193	8.0%
All directors and executive officers as a group (14 persons)(15)	886,429	3.6%

\*

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 24,339,485 shares outstanding on March 12, 2012, adjusted as required by rules promulgated by the SEC.
- (2) Includes options to purchase 28,489 shares of Common Stock, which were exercisable as of, or will be exercisable within sixty (60) days after March 12, 2012.
- (3) Includes options to purchase 42,687 shares of Common Stock, which were exercisable as of, or will be exercisable within sixty (60) days after March 12, 2012.
- (4) Includes options to purchase 34,786 shares of Common Stock, which were exercisable as of, or will be exercisable within sixty (60) days after March 12, 2012.
- (5) Includes options to purchase 27,286 shares of Common Stock, which were exercisable as of, or will be exercisable within sixty (60) days after March 12, 2012.
- (6) Includes options to purchase 9,338 shares of Common Stock, which were exercisable as of, or will be exercisable within sixty (60) days after March 12, 2012.



## Edgar Filing: CardioNet, Inc. - Form DEF 14A

- (7) Includes options to purchase 138,558 shares of Common Stock, which were exercisable as of, or will be exercisable within sixty (60) days after March 12, 2012, and does not include unvested Restricted Stock Units.
- (8) Includes options to purchase 61,885 shares of Common Stock, which were exercisable as of, or will be exercisable within sixty (60) days after March 12, 2012, and does not include unvested Restricted Stock Units.
- (9) Includes options to purchase 18,750 shares of Common Stock, which were exercisable as of, or will be exercisable within sixty (60) days after March 12, 2012, and does not include unvested Restricted Stock Units.
- (10) Includes options to purchase 16,411 shares of Common Stock, which were exercisable as of, or will be exercisable within sixty (60) days after March 12, 2012, and does not include unvested Restricted Stock Units.
- (11) Includes options to purchase 29,904 shares of Common Stock, which were exercisable as of, or will be exercisable within sixty (60) days after March 12, 2012, and does not include unvested Restricted Stock Units.
- (12) The address of BlackRock, Inc. is 40 East 52<sup>nd</sup> Street, New York, NY 10022.
- (13) Camber Capital Management LLC ("Camber") is a Massachusetts limited liability company primarily engaged in the business of investing in securities. Stephen DuBois is the Managing Member of Camber and is a United States citizen. The address of the principal business and office of Camber Capital Management LLC is 101 Huntington Avenue, 25<sup>th</sup> Floor, Boston, MA 02199.
- (14) Trigran Investments Inc. is an Illinois company primarily engaged in the business of investing in securities. Douglas Granat, Lawrence A. Oberman and Steven G. Simon are United States Citizens and the controlling shareholders and sole directors of Trigran Investments, Inc. The address of the principal business and office of Trigran Investments, Inc. is 630 Dundee Road, Suite 230, Northbrook, IL 60062.
- (15) Includes options to purchase 556,982 shares of Common Stock, which were exercisable as of, or will be exercisable within sixty (60) days after March 12, 2012.

### **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 12, 2012, based solely on a review of the copies of such reports furnished to us and representatives of these persons, all reports required to be filed have been filed for the year ended December 31, 2011.

**EQUITY COMPENSATION PLAN INFORMATION**

The following table presents the equity compensation plan information as of December 31, 2011:

	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
<i>Equity compensation plans approved by security holders:</i>			
Employee and non-employee director stock option plans	2,468,991	\$ 9.43	2,369,802
Employee stock purchase plan	51,544	\$ 2.54	408,127
Total	2,520,535	\$ 11.97	2,777,929

**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.

2011 has been a challenging year for us with mixed results. Our loss before income taxes increased to \$61.0 million from \$16.9 million in 2010, primarily as a result of our write down of goodwill, a circumstance primarily outside of our control. Accordingly, we also experienced shortfalls to our operating results and earnings. However, despite this write down, we achieved, and in some cases exceeded, certain pre-established incentive plan goals. This presented a challenge to the Compensation Committee, which was tasked with balancing the need to provide compensation sufficient to attract and retain key members of our senior management team through this challenging period, on one hand, with the goal of aligning compensation with stockholder value, on the other hand. In an effort to strike an appropriate balance between these purposes, the Compensation Committee made downward adjustments to the compensation paid to certain executive officers (as described in more detail below) as compared to what they would have received based on a strict application of the pre-established performance metrics, while at the same time ensuring that overall incentive payments reflected the mixed results of 2011. This was accomplished mainly through a significant reduction in cash incentive payouts to our senior executives. The net effect of these decisions was an aggregate payout of cash incentive for 2011 performance at 50% of full target. Executives did, however, receive target equity compensation awards, since the ultimate value of these awards will be linked to the performance of the Company and is thus aligned with stockholders interests. In addition, the Compensation Committee periodically reviews the Company's executive pay practices, its appropriate peer group, and the utilization of shares in its equity plans, with a view toward ensuring that the Company's overall compensation practices are consistent with the market and effective in generating long-term shareholder value.

Our compensation program is generally 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. For 2012, we have revised our Management Incentive Plan to include corporate goals and objectives relating to volume, revenue, and EBITDA growth, 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 Named Executive Officers***

Our named executive officers for 2011 are Messrs. Capper, Ferola, and Kasrawi, and Ms. Getz and Ms. McNamara.

***Compensation Philosophy and Components of Executive Compensation***

Our Compensation Committee is composed entirely of independent directors. Our Compensation Committee administers 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 general, we tie 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 the 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.

We believe our approach to goal setting, setting of targets with payouts at multiple levels of performance, and evaluation of performance results assist in mitigating excessive risk-taking that could harm our value or reward poor judgment by our executives. The features of these practices and programs also reflect sound risk management practices. We believe we have allocated our compensation among base salary and short and long-term compensation target opportunities in such a way as to not encourage excessive risk-taking. This is based on our belief that applying Company-wide metrics encourages decision making that is in the best long-term interests of the company and our stockholders. In addition, we believe that the mix of equity award instruments used under our long-term incentive program, including both stock options and full value awards (i.e., restricted stock units), in each case, that vest over a multi-year period also mitigates risk and properly account for the time horizon of risk.

***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 named executive officers. During the period in which we operated 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 2009 our Compensation Committee retained an independent compensation consultant to assist it in benchmarking our executive compensation decisions and practices against the group of publicly-traded peer companies listed below. The market study was updated in the fall of 2010 for the purpose of assisting the Committee with establishing salaries, target bonus and target long-term incentive opportunities for officers in 2011. In 2011, the compensation consultant re-evaluated the group of peer companies, and determined the group listed below provides an adequate basis to evaluate comparative positions. 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.

At the time the market analysis was last updated in the fall of 2010, the companies in our peer group included the following 16 publicly traded companies in the medical products and services sector, with revenue between \$70 million and \$400 million (with most between \$90 million and \$240 million), classification by S&P as Health Care Equipment, Health Care Services or Life Sciences Tools & Services, equity market capitalization between \$100 million and \$1 billion (with most between \$300 million and \$500 million), to the extent possible, company considered part of the "cardio" sector of the Med Tech industry:

Abiomed, Inc.

Accuray, Inc.

Affymetrix, Inc.

Angiodynamics, Inc.

ATS Medical, Inc.

Cyberonics, Inc.

eResearch Technology, Inc.

Genoptix, Inc.

Kensey Nash Corp.

Micrus Endovascular Corp.

Natus Medical Inc.

Quidel Corp.

Sonosite, Inc.

Spectranetics Corp.

Volcano Corp.

ZOLL Medical Corp.

To achieve its objectives for our executive compensation program, the Compensation Committee evaluates our executive compensation program with the goal of setting compensation at levels the Committee believes are competitive with those of other similarly situated companies that compete with us for executive talent and has periodically engaged an independent consultant to provide additional assurance that the Company's executive compensation programs are reasonable and consistent with its objectives. The consultant reports directly to the Compensation Committee, periodically participates in committee meetings, and advises the Compensation Committee with respect to compensation trends and best practices, plan design, and the reasonableness of individual compensation awards. Although the Compensation Committee reviews the compensation practices of our peer companies as described above, the Compensation Committee does not adhere to strict formulas or survey data to determine the mix of compensation elements. Instead, as described below, the Compensation Committee considers various factors in exercising its discretion to determine compensation, including the experience, responsibilities and performance of each of our executive officers, as well as the company's overall financial performance. This flexibility is particularly important in designing compensation arrangements to attract and retain executives in the period of uncertainty that the company is currently facing.

#### *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**

Generally, 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 named executive officers 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. In 2011 our Compensation Committee adjusted salaries for Mr. Capper, Ms. Getz and Ms. McNamara. Mr. Capper and Ms. McNamara received increases consistent with those provided to



## Edgar Filing: CardioNet, Inc. - Form DEF 14A

other salaried employees at the Company. Ms. Getz received a larger salary increase as a result of our Compensation Committee's desire to bring her salary closer to the market median for comparable Chief Financial Officers. Mr. Ferola's salary was established at the time he was hired in his current position in February, 2011, and was based on comparable executives in the Company's peer group. Mr. Kasrawi's salary was determined at the time he transitioned into the role of Senior Vice President, Strategic Contracting in May, 2011, and was based on comparable executives in the Company's peer group. The salaries in effect for 2011 are set forth below.

Name	2011 and 2012 Base Salary
Joseph H. Capper	\$ 535,000
Heather C. Getz, CPA	\$ 298,100
Peter Ferola	\$ 280,000
Anna McNamara, RN	\$ 321,360
Jareer Kasrawi	\$ 240,000

In February 2012, our Compensation Committee met to review performance for 2012 and, at Mr. Capper's recommendation, decided not to approve salary increases for our named executive officers for 2012. Our Compensation Committee considered a number of factors in reaching its decision not to approve base salary increases for 2012, including financial and overall corporate and individual performance during 2011. No changes were made to the 2011 salary structure for named executive officers for 2012.

### Short-term Incentive Program

We maintain our 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.

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. Unless specifically excepted, 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 2011, the Compensation Committee determined that actual awards under the MIP could range from 0% to 200% of target, depending on performance. 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 2011, our Compensation Committee determined that the corporate performance measures were revenue and team objectives, and established minimum and maximum goals. Our Compensation Committee determined that the above criteria was an appropriate corporate performance objective because it is linked to top line growth and the creation of stockholder value.

## Edgar Filing: CardioNet, Inc. - Form DEF 14A

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:

Joseph H. Capper	100%
Heather C. Getz, CPA	60%
Peter Ferola	50%
Anna McNamara, RN	50%
Jareer Kasrawi	50%

In February 2012, our Compensation Committee evaluated the level of achievement of the financial goal, cost reduction goal, and the individual performance objectives relating to operational commitments relative to the executive officer's position (taking into account the weighting described above together with Mr. Capper's recommendations), and determined to pay bonuses to our named executive officers at 50% of each individual's target, as set forth in the table below. In making its decision to pay bonuses at 50%, our Compensation Committee balanced the management team's achievement of certain pre-established incentive plan goals with the overall performance of the Company. With respect to individual objectives, our Compensation Committee considered management's successes in launching the Company's next generation mobile cardiac telemetry ("MCT") device, lowering the cost of service, improvement in collection performance, and reduction of time-to-service for patients. The Committee also considered the level of contribution made by each named executive officer with respect to the achievement of these goals based on the scope of their responsibilities with the Company, taking into account recommendations from Mr. Capper.

Joseph H. Capper	\$ 267,500
Heather C. Getz, CPA	\$ 89,430
Peter Ferola	\$ 70,000
Anna McNamara, RN	\$ 80,340
Jareer Kasrawi	\$ 40,000

For 2012, our Compensation Committee has determined that the goals under the MIP will be as follows and will be weighted as noted:

% of Payout	Goal
20%	Revenue
20%	EBITDA
20%	Volume
40%	Team objectives relating to operating efficiencies, improvement and growth

Our Compensation Committee determined that these goals are 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 2012 under the MIP are as follows, and remain unchanged from the 2011 target bonus opportunities:

Joseph H. Capper	100%
Heather C. Getz, CPA	60%
Other Named Executive Officers	50%



## Long-term Incentive Programs

### *Equity Compensation Plans*

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.

In connection with our initial public offering in 2008, 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 granted only 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 monthly installments thereafter over three years. Beginning in January 2009, the Compensation Committee determined to modify the vesting schedule for new grants so that, as a general matter, 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 (since they vest only at the end of each anniversary year, and not monthly). All options have a ten year term (unless terminated earlier due to termination of service with the Company). Additional information regarding accelerated vesting upon or following a change in control is discussed below under "Potential Payments Upon Termination Or Change In Control."

### *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 based 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. In May 2010 the Board of Directors modified the vesting schedule for grants issued under the LTIP providing that all future grants will vest at the rate of 25% on December 31<sup>st</sup> following the grant date and on each of the first, second and third anniversaries thereafter. We believe that by providing our executives the opportunity to increase their ownership of

## Edgar Filing: CardioNet, Inc. - Form DEF 14A

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.

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 commencing on December 31<sup>st</sup> after the date of the grant, and the three anniversaries of the commencement date thereafter. 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.

In 2011 our Compensation Committee awarded a 50% of target equity payout to executives under the LTIP Plan, and in 2012 our Compensation Committee awarded at 100% of target equity payout to executives under the LTIP Plan.

For our named executive officers, the individual target dollar values approved by our Compensation Committee for 2011 (which remain in effect for each year, unless modified by the Committee), expressed as a percentage of each person's base salary, were as follows:

Joseph H. Capper	200% of base salary
Heather C. Getz	75% of base salary
Peter Ferola	50% of base salary
Anna McNamara, RN	50% of base salary
Jareer Kasrawi	50% of base salary

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 2012, expressed as a percentage of each person's base salary, are as follows:

Joseph H. Capper	200% of base salary
Heather C. Getz, CPA	75% of base salary
Other Named Executive Officers	50% of base salary

*Employment Agreements*

**Capper Agreement**

On June 15, 2010, we entered into an employment agreement with Joseph Capper, which provides that he will serve as the President and Chief Executive Officer of the Company. The agreement was effective on June 15, 2010 and continues until terminated in accordance with its terms.

Pursuant to the terms of the Employment Agreement, Mr. Capper is entitled to a minimum base salary of \$515,000. Mr. Capper also received a bonus payment of \$150,000 in consideration of the incentive and equity compensation Mr. Capper forfeited from his prior employer. Beginning with the 2010 fiscal year, Mr. Capper was eligible to participate in the MIP and LTIP in accordance with the terms of those plans. Mr. Capper's target annual bonus opportunity under the MIP is 100% of his base salary and Mr. Capper's target dollar value for purposes of the LTIP is 200% of base salary.

Contemporaneously with his entry into the Employment Agreement, Mr. Capper received a restricted stock unit award with respect to 60,000 shares of the Company's common stock and a stock option to purchase 500,000 shares of the Company's common stock.

The Employment Agreement provides that in the event the Company terminates Mr. Capper without "cause" or Mr. Capper resigns for "good reason" (each as defined in the Employment Agreement), it will pay to Mr. Capper severance benefits that consist of the following (i) base salary and accrued and unused vacation earned through the date of his termination, and (ii) an amount equal to two times his base salary at the rate in effect at the time of termination plus two times his on-target annual performance incentive bonus in effect for the year of termination, such amount to be paid in 24 monthly installments. Mr. Capper will also be eligible for continued participation in the Company's medical, dental and vision plans for a period of up to 24 months. Mr. Capper's receipt of the amount described in clause (ii) above and the continued participation in the Company's medical, dental and vision plans are contingent upon his execution and non-revocation of a release of claims in the form attached to the Employment Agreement.

Mr. Capper's employment with the Company is at will and may be terminated by the Company at any time and for any reason, or for no reason. Upon any termination by the Company, Mr. Capper agrees to resign all positions, including as an officer and, if applicable, as a director or member of the Board of Directors or any committee thereof. See the description under "Severance and Change in Control Benefits" and "Potential Payments Upon Termination or Change in Control" below for further information regarding severance benefits under Mr. Capper's employment agreement.

As a condition of Mr. Capper's employment as our President and Chief Executive Officer, he executed and must abide by our Proprietary Information and Inventions Agreement. Under the employment agreement, Mr. Capper will be subject to non-competition restrictions for the term of his employment and during any period thereafter in which he is receiving severance benefits.

**Getz, Ferola, McNamara and Kasrawi Agreements**

The agreements provide severance and change in control benefits upon termination of the executives' termination of employment by us without cause or by the executives for good reason. See the description under "Severance and Change in Control Benefits" and "Potential Payments Upon Termination or Change in Control" below for further information regarding severance benefits under the employment agreements.

As a condition of their employment with us, each executive must execute and abide by our Proprietary Information and Inventions Agreement. Under the employment agreements, each executive will be subject to non-competition restrictions for the term of his employment and during any period thereafter in which he is receiving severance benefits.

Messrs. Ferola and Kasrawi and Ms. Getz and Ms. McNamara's employment with us is at will and may be terminated by us at any time and for any reason, or for no reason. Upon any termination by us, each executive agrees to resign all positions, including as an officer and, if applicable, as a director or member of the board or any committee thereof.

#### ***Severance and Change in Control Benefits***

The employment agreements for each of our named executive officers provide for payments in the event that the executive is terminated by us without cause or by the executive for good reason, in each case, without regard to whether the termination occurs in the context of a change in control. With the exception of Mr. Capper, if the executive's employment is terminated by us without cause or by the executive for good reason in connection with a change in control, all of the executive's equity awards will immediately accelerate and become fully vested. All of Mr. Capper's equity awards will immediately accelerate and become fully vested upon a change in control without regard to a termination of employment (unless he is terminated for cause). Payments and benefits to Messrs. Capper, Ferola and Kasrawi and Ms. Getz and Ms. McNamara will be modified to avoid any excise tax under section 409A of the Internal Revenue Code to the extent the modification would result in a greater net after-tax benefit to the executive. We believe these severance and change in control benefits are an essential element of our overall executive compensation package. The severance and change in control benefits were also determined through comparison to companies in our peer group.

See "Potential Payments Upon Termination Or Change In Control" below for further information regarding the payments and benefits under the employment agreements.

#### ***Other Compensation***

In addition, consistent with our compensation philosophy, we intend to continue to maintain broad based retirement and welfare employee benefit programs for all of our employees, in which our named executive officers are also eligible to participate. However, our Compensation Committee, in its discretion, may in the future revise, amend or add to the benefits of any executive officer if it deems it advisable. In October 2009, effective January 1, 2010, our Compensation Committee approved a matching contribution under our 401(k) retirement plan of 100% on the first 3% of compensation deferred under the plan and 50% on the next 2% of compensation deferred under the plan (up to the applicable statutory limits under the Internal Revenue Code). In October of 2011, as part of the company's previously announced cost cutting initiative, the compensation committee suspended the 401(k) match, effective January 1, 2012.

During 2011, we reimbursed Messrs. Capper, Ferola, Kasrawi and Ms. McNamara for the cost of certain living, commuting and relocation expenses. For Messrs. Capper, Ferola and Kasrawi, the Company made a tax gross up payment for the taxes they paid on the reimbursement of relocation expenses. With respect to Ms. McNamara, the Company made a tax gross up payment for the taxes she paid on the reimbursement of living expenses. No tax gross up payments were made to Messrs. Ferola and Kasrawi for the reimbursed living expenses. We agreed to provide these benefits to these individuals because we view them as an integral part of our management team and essential in pursuing our strategic plans. Messrs. Ferola and Kasrawi's cost of living and relocation reimbursement was a condition to their employment with the company, as they were required to relocate to Pennsylvania. Messrs. Capper and Ferola's expense reimbursement relating to relocation is prescribed in their respective Employment Agreements with the Company. The Company is not contractually obligated to pay Messrs. Ferola and Kasrawi or Ms. McNamara for the cost of living and commuting expenses. Our Compensation Committee continually evaluates the compensation arrangements in place for our named executive officers and may determine to continue or eliminate these benefits, at its discretion. With respect to Messrs. Capper, Ferola and Kasrawi, these benefits were provided on a temporary basis to enable the executives adequate time to relocate to a permanent residency near our headquarters.

***Stock Ownership requirements***

The Board has determined that, based on the changes to the Non-Employee Compensation program (as more fully described below), no stock ownership requirement is necessary for its Board members.

***Stock Option Pricing and Timing***

Our Compensation Committee has no formal policy on the timing of stock option or restricted stock unit grants. Historically, our Compensation Committee makes such grants in the first quarter of each fiscal year. The exercise price is the closing price of the underlying Common Stock on the grant date. If an executive officer of CardioNet is hired after the time the Company usually makes grants, management may recommend to our Compensation Committee that the officer receive equity compensation. Other than the Director Plan described in more detail under "Non-Employee Director Compensation" below (which has been frozen for future grants), we do not have any program, plan or obligation that requires us to grant equity compensation to executive officers on specified dates and we have not made equity grants in connection with the release or withholding of material non-public information. Authority to make equity grants to executive officers rests with our Compensation Committee (except with respect to grants made to our Chief Executive Officer, which must be approved by our Board of Directors), based on recommendations from our Compensation Committee, although our Compensation Committee does consider the recommendations of our Chief Executive Officer for executive officers other than himself.

***Deductibility of Compensation under Section 162(m)***

Section 162(m) of the Internal Revenue Code of 1986 limits our deduction for federal income tax purposes to not more than \$1 million of compensation paid to certain executive officers in a calendar year. Compensation above \$1 million may be deducted if it is "performance-based compensation." The Compensation Committee has not yet established a policy for determining which forms of incentive compensation awarded to our executive officers will be designed to qualify as "performance-based compensation." To maintain flexibility in compensating our executive officers in a manner designed to promote our objectives, our Compensation Committee has not adopted a policy that requires all compensation to be deductible. However, our Compensation Committee intends to evaluate the effects of the compensation limits of section 162(m) on any compensation it proposes to grant, and our Compensation Committee intends to provide future compensation in a manner consistent with our best interests and those of our stockholders. Shareholder approval of the Company's 2008 Equity Incentive Plan would ensure continued ability to qualify equity-based compensation under 162(m), as deemed appropriate by our Compensation Committee.

**Risk Assessment of the Compensation Programs**

The Compensation Committee considers potential risks when reviewing and approving compensation programs. We have designed our compensation programs, including our incentive compensation plans, with specific features to address potential risks while rewarding employees for achieving long-term financial and strategic objectives through prudent business judgment and appropriate risk taking. The following elements have been incorporated in our programs available for our executive officers:

**A Balanced Mix of Compensation Components** The target compensation mix for our executive officers is composed of salary, annual cash incentives and long-term equity incentives, representing a mix that is not overly weighted toward short-term cash incentives.

**Multiple Performance Factors** Our incentive compensation plans use both company-wide metrics and individual performance, which encourage focus on the achievement of objectives for the overall benefit of the company.

The annual cash incentive is dependent on multiple performance metrics including volume, revenue as well as individual goals related to specific strategic or operational objectives.

The long-term incentives are equity-based and awarded if certain earnings per share goals are met. These incentives have a minimum of 3 year vesting to complement our annual cash based incentives.

**Capped Incentive Awards** Annual incentive awards capped at 200% of target.

Additionally, the Compensation Committee considered an assessment of compensation-related risks for all of our employees. Based on this assessment, the Committee concluded that our compensation programs do not create risks that are reasonably likely to have a material adverse effect on CardioNet. In making this evaluation, the Committee reviewed the key design elements of our compensation programs in relation to industry norms as well as the means by which any potential risks may be mitigated, such as through our internal controls and oversight by management and the Board of Directors.

### **Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis ("CD&A") contained in this proxy statement. Based on this review and discussion, the Compensation Committee has recommended to the Board of Directors that the CD&A be included in this proxy statement and in our Form 10-K for the year ended December 31, 2011.

Ronald A. Ahrens, Chair  
Rebecca W. Rimel  
Eric N. Prystowsky, M.D.

*This Compensation Committee Report 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.*

### **Non-Employee Director Compensation**

In July 2007, our Board of Directors adopted a compensation program for our non-employee directors, or the Non-Employee Director Compensation Policy. The Non-Employee Director Compensation Policy became effective in March 2008 and was amended in August 2008. In December 2009, our Board of Directors further amended our Non-Employee Director Compensation Policy to provide for a one-time, supplemental cash retainer of \$20,000 to be paid to each non-employee director to recognize the incremental and unanticipated time commitment and effort required during the 2009 and 2010 years in connection with the change in reimbursement rates. In addition, our Board of Directors established a Lead Director role, and in connection with the establishment of such role, amended the Non-Employee Director Policy to provide that the non-employee director serving in the role as Lead Director of the Board will receive an annual cash retainer amount of \$20,000 to be paid for the time commitment and efforts required in this role. In January, 2012, in light of the appointment of an independent Chairman of the Board, the Board of Directors revised the Non-Employee Director Compensation Policy to remove the Lead Director compensation, and added an annual cash retainer of \$100,000 for the non-executive Chairman of the Board role.

## Edgar Filing: CardioNet, Inc. - Form DEF 14A

Pursuant to the Non-Employee Director Compensation Policy in effect prior to January, 2009, each member of our Board of Directors who was not our employee received the following cash compensation for Board of Directors services, as applicable:

\$6,250 per quarter for service as a member of the Board of Directors;

\$625 per quarter for service as a member of the Audit Committee, the Compensation Committee or the Nominating and Corporate Governance Committee;

\$2,000 for each in-person meeting of the Board of Directors and \$1,000 for each telephonic board meeting; and

\$500 for each in-person or telephonic Audit Committee meeting.

Prior to 2009, our non-employee directors receive initial and annual, automatic, non-discretionary grants of nonqualified stock options to purchase 5,000 shares of Common Stock under the terms and provisions of the Director Plan, which became effective in March 2008. Each of these grants vest in 12 equal monthly installments following the date of the grant. In connection with the adoption of the Compensation Program for Non-Employee Directors described below, which became effective as of the date of the 2009 Annual Meeting and supersedes and replaces all prior non-employee director compensation programs, the Director Plan was frozen and no further grants will be made under that plan, unless our Board of Directors determines to unfreeze the Director Plan in the future.

In addition to the foregoing, each non-employee director that joined our Board of Directors prior to the closing of our initial public offering was automatically granted a non-statutory stock option to purchase 15,000 shares of Common Stock under our 2003 plan with an exercise price equal to the then fair market value of our Common Stock and each non-employee director assuming the role of a chairperson of the Compensation, Nominating and Corporate Governance or Audit Committees during such period was automatically granted an additional non-statutory option to purchase 7,500 shares of Common Stock under our 2003 plan with an exercise price equal to the then fair market of our Common Stock on the date of grant. Each of these grants vest over a three year period, 33<sup>1</sup>/<sub>3</sub>% of which will vest upon the first anniversary of the date of grant and the remainder will vest in a series of 24 successive equal monthly installments thereafter. All stock options granted have a maximum term of ten years and will vest in full upon the closing of a change in control transaction.

In May 2010, our Board of Directors adopted a revised compensation program for our non-employee directors, or the Compensation Program for Non-Employee Directors. Pursuant to the Compensation Program for Non-Employee Directors, each non-employee director receives:

*Initial Restricted Stock Unit Award:* Upon his or her first election or appointment as a member of our Board of Directors, a non-employee director will receive a restricted stock unit award under the 2008 EIP representing the right to receive that number of shares of Common Stock determined by dividing \$80,000 by the fair market value of a share of Common Stock on the award date. The restricted stock units will vest in four successive quarters following the award date and will be distributed in the form of Common Stock on the earliest to occur of the non-employee director's death, disability, separation from service or a change in the ownership or effective control of the Company within the meaning of such term under section 409A of the Internal Revenue Code.

*Annual Retainer:* At the individual's election, each non-employee director will receive either a cash award of \$50,000 (paid in quarterly installments over the calendar year) or a Restricted Stock Unit Award equal to 100% of the amount of the retainer that the director elects to have converted divided by the Fair Market Value of the Company's common stock on the award date. The Restricted Stock Unit will be awarded under the 2008 EIP as of the date of the annual meeting of the Company's stockholders and will vest in four successive quarters following the award date and will be distributed in the form of Common Stock on the earliest to occur of the non-employee director's death, disability,

## Edgar Filing: CardioNet, Inc. - Form DEF 14A

separation from service or a change in the ownership or effective control of the Company within the meaning of such term under section 409A of the Internal Revenue Code.

*Annual Restricted Stock Unit Award:* Each non-employee director will receive a restricted stock unit award under the 2008 EIP as of the date of the annual meeting of the Company's stockholders. The number of shares will be determined by dividing \$80,000 by the fair market value of the stock on the award date. The restricted stock units will vest in four successive quarters following the award date and will be distributed in the form of Common Stock on the earliest to occur of the non-employee director's death, disability, separation from service or a change in the ownership or effective control of the Company within the meaning of such term under section 409A of the Internal Revenue Code.

*Lead Director Retainer:* A Non-Employee Director serving in the role as Chairman of the Board may elect to receive either a cash award of \$100,000 (the "Lead Director Retainer") (paid in 4 quarterly installments over the calendar year as of the last day of each calendar quarter beginning with the first calendar quarter following the date of the 2010 annual meeting) or a Restricted Stock Unit award equal to 100% of the amount of the Lead Director Retainer the Lead Director elects to have converted into a Restricted Stock Unit Award divided by the Fair Market Value of Common Stock as of the date the Restricted Stock Units are granted. Any fractional share will be rounded up to the next whole share of Common Stock. The Restricted Stock Units will vest proportionally over the four (4) successive quarters following the award date. In the event of the occurrence of the Non-Employee Director's death, Disability (within the meaning of such term under Code section 409A(a)(2)(C)), "separation from service" (within the meaning of such term under Code section 409A(a)(2)(A)(i)) or a 409A Change in Control Event prior to the full vesting date, all outstanding Restricted Stock Units shall be fully vested. Notwithstanding any other provision to the contrary, the vested Restricted Stock Units will not be distributed in the form of Common Stock until the earliest to occur of the Lead Director's death, Disability (within the meaning of such term under Code section 409A(a)(2)(C)), "separation from service" (within the meaning of such term under Code section 409A(a)(2)(A)(i)) or a 409A Change in Control.

*Committee Chairperson Retainer:* In addition to the above, non-employee directors serving as chairpersons of the Audit, Compensation or Nominating and Corporate Governance Committees will receive additional annual cash compensation as follows:

Audit Committee Chair: \$15,000  
Compensation Committee Chair: \$10,000  
Nominating and Corporate Governance Committee Chair: \$10,000

*Committee Member Retainer:* Non-employee directors serving as a Committee member will receive additional cash compensation as follows:

Audit Committee Member: \$7,500  
Compensation Committee Member: \$5,000  
Nominating and Corporate Governance Committee Member: \$5,000  
Reimbursement Strategy Committee Member: \$5,000

In April 2011, at the recommendation of the Nominating and Governance Committee of the Board of Directors, the Board eliminated the Medical Advisory Board and Reimbursement Strategy Chairperson role, as well as the Reimbursement Strategy Committee. In January, 2012, in light of the appointment of an independent Chairman of the Board of Directors, the Board eliminated the Lead Director Role and added an annual cash award of \$100,000 for the Chairman of the Board.

As Chairman of the Board, Mr. Gorman will receive the annual Non-Employee Director Restricted Stock Unit Award described above, and a cash award of \$100,000 (paid in 4 quarterly installments over the calendar year as of the last day of each calendar quarter beginning with the first



## Edgar Filing: CardioNet, Inc. - Form DEF 14A

calendar quarter following the inception of his service as Chairman in October, 2011) or a Restricted Stock Unit award equal to 100% of the amount of the cash award Mr. Gorman elects to have converted into a Restricted Stock Unit Award divided by the Fair Market Value of Common Stock as of the date the Restricted Stock Units are granted.

In addition to the foregoing, we have reimbursed and will continue to reimburse our non-employee directors for their travel, lodging and other reasonable expenses incurred in attending meetings of our Board of Directors and committees of our Board of Directors.

The following table sets forth information concerning the compensation that we paid or awarded during the year ended December 31, 2011 to each of our non-employee directors.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Kirk E. Gorman	55,000	105,006			160,006
Rebecca W. Rimel	42,500	80,002			122,502
Eric N. Prystowsky, M.D.	46,250	80,002			126,252
Ronald A. Ahrens		145,011			145,011
Robert J. Rubin, M.D.	21,875	130,005			151,880

(1)

The amount reflects the grant date fair value of each option award in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 718 ("FASB ASC 718") (formerly Statement of Financial Accounting Standards No. 123R). At December 31, 2011, the aggregate number of option awards outstanding and held by each director was as follows: Mr. Ahrens 34,786; Dr. Rubin 28,489; Dr. Prystowsky 42,687; Mr. Gorman 27,286; Ms. Rimel 9,338.

**Summary Compensation Table**

The following table provides information regarding the compensation earned during the years ended December 31, 2009, 2010 and 2011 by each person serving in 2011 as a principal executive officer, principal financial and accounting officer or other executive officer, who we collectively refer to herein our "named executive officers."

Name and principal position	Year	Salary (\$)	Bonus (\$)	Stock Awards(1) (\$)	Option Awards(2) (\$)	Non-Equity Incentive	All other compensation (\$)	Total (\$)
						Plan Compensation (\$)		
Joseph H. Capper(3)	2011	531,154		154,502	155,889	267,500	112,811	1,221,856
Chairman, President and Chief Executive Officer	2010	265,423		393,600	2,014,635	137,500	245,891	3,057,049
	2009							
Heather C. Getz(4)	2011	292,888		60,976	104,639	89,430		547,934
Senior Vice President, Chief Financial Officer	2010	244,058		99,548	77,814	93,495		514,915
	2009	116,923	49,875	2,662	356,760		15,000	541,220
Peter Ferola(5)	2011	242,308			202,727	70,000	160,339	675,374
Senior Vice President, Corporate Development and General Counsel	2010							
	2009							
Anna McNamara(6)	2011	319,560		46,798	90,337	80,340	58,041	595,076
Senior Vice President, Clinical Operations	2010	307,846		44,996	38,537	89,700	61,213	542,292
	2009	294,231	75,000	319,641	107,080		58,844	854,796
Jareer Kasrawi(7)	2011	219,729		21,697	64,029	40,000	135,006	480,461
Senior Vice President, Strategic Contracting	2010	238,531			53,486		77,844	292,017
	2009	243,434			104,815			348,249

- (1) Calculated in accordance with FASB ASC Topic 718 using the grant date fair value.
- (2) Calculated in accordance with FASB ASC Topic 718 using the grant date fair value.
- (3) Mr. Capper was appointed our President and Chief Executive Officer in June 2010. All other compensation for 2011 includes a \$41,202 relocation expense and a tax gross up payment of \$25,612 for the taxes applicable to the reimbursement of these expenses.
- (4) Ms. Getz was appointed our Chief Financial Officer in January 2010.
- (5) Mr. Ferola was appointed our Senior Vice President, Corporate Development and General Counsel in February, 2011. All other compensation for 2011 includes \$160,339 for certain living, relocation, and commuting expenses and a tax gross up payment in the amount of \$46,407 applicable to the reimbursement of Mr. Ferola's relocation expenses.
- (6) Ms. McNamara joined CardioNet in 2002 and currently serves as our Senior Vice President, Clinical Operations. All other compensation for 2011 includes \$39,915 for certain living and commuting expenses and a tax gross up payment of \$18,126 for the taxes applicable to the reimbursement of these expenses.
- (7) Mr. Kasrawi was appointed our Senior Vice President, Strategic Contracting in June, 2011. All other compensation for 2011 includes \$135,006 for certain living, relocation and commuting expenses and a tax gross up payment in the amount of \$24,685 for the taxes applicable to the reimbursement of Mr. Kasrawi's relocation expenses.

## Grants of Plan-Based Awards

All stock options granted to our named executive officers are incentive stock options, to the extent permissible under the Code. The exercise price per share of each stock option granted to our named executive officers was equal to the fair market value of our Common Stock as determined in good faith by our Board of Directors on the date of the grant. All stock options were granted under our 2008 plan.

Name	Grant Date	Estimated Potential Payouts Under Non-Equity Incentive Plan Awards			Estimated Potential Payouts Under Equity Incentive Plan Awards			All Other Stock Awards Number of Shares or Units (#)(1)	All Other Option Awards Number of Securities Underlying Options (#)(2)	Exercise or Base Price of Awards (\$/Sh)(4)	Grant Date Fair Value of Stock and Option Awards (\$)(5)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)				
Joseph H. Capper	3/4/2011	0	535,000	1,070,000	642,000	1,070,000	1,498,000	33,084			154,502
	3/4/2011								54,235	\$ 4.67	155,889
Heather C. Getz	3/4/2011	0	178,860	357,720	134,145	223,575	313,005		21,405	\$ 4.67	61,525
	3/4/2011								15,000(3)		
	3/4/2011							13,057			60,976
Peter Ferola	2/7/2011	0	140,000	280,000	84,000	140,000	196,000		75,000(3)	\$ 4.38	202,727
Anna McNamara	3/4/2011	0	160,680	321,360	96,408	160,680	224,952	10,021			46,789
	3/4/2011								16,429	\$ 4.67	47,222
	3/4/2011								15,000(3)	\$ 4.67	43,115
Jareer Kasrawi	3/4/2011	0	120,000	240,000	72,000	120,000	168,000	4,646			21,697
	3/4/2011								7,617	\$ 4.67	21,894
	4/28/2011								15,000(3)	\$ 4.58	42,135

- (1) Represents restricted stock units (the "RSU's"). RSU's will vest in full on the third anniversary of the grant date, subject to accelerated vesting upon certain terminations of employment following certain corporate transactions involving the Issuer. The shares of common stock underlying the RSU's will be issued when the RSU's vest.
- (2) The options will vest at the rate of 25% on December 31<sup>st</sup> following the grant date and on each of the first, second and third anniversaries thereafter.
- (3) The options will vest in four equal annual installments commencing on the first anniversary of the date of grant and expire if not exercised within ten years from the date of grant.
- (4) Represents the fair market value of our Common Stock as determined in good faith by our Board of Directors on the date of the grant.
- (5) The amounts reported represent the aggregate grant date fair value of the awards calculated in accordance with FASB ASC 718.

Edgar Filing: CardioNet, Inc. - Form DEF 14A

**Outstanding Equity Awards at December 31, 2011**

The following table sets forth certain information regarding outstanding equity awards granted to our named executive officers for 2011 that remain outstanding as of December 31, 2011.

Name	Equity Grant Date	Option awards				Stock Awards			
		Number of securities underlying unexercised options(4)	Number of securities underlying unexercised options(4)	Option exercise price(\$)	Option expiration date	Number of Shares of stock that have not vested(1)	Market Value of Shares of stock that have not vested (\$)(2)	Equity Incentive Awards: Number of Unearned Shares or Units of Stock That Have Not Vested(1)	Equity Incentive Awards: Market or Payout Value of Unearned Shares or Units of Stock That Have Not Vested(2)
Joseph H. Capper	3/4/2011	13,558	40,677	\$ 4.67	3/4/2021				
	6/15/2010	125,000(3)	375,000(3)	\$ 6.56	6/15/2020				
						60,000	142,200	33,084	78,409
Heather C. Getz	3/4/2011	5,351	31,054	\$ 4.67	3/4/2021				
	5/10/2010	2,784	2,786	\$ 8.79	5/10/2020				
	1/22/2010	2,500(3)	7,500(3)	\$ 6.43	1/22/2020				
	8/12/2009	5,000(3)	5,000(3)	\$ 6.95	8/12/2019				
	5/11/2009	40,000(5)		\$ 17.44	5/11/2019				
						20,000	47,400	17,067	40,449
Peter Ferola	2/7/2011		75,000(3)	\$ 4.38	2/7/2021				
Anna									
McNamara	3/4/2011	4,107	27,322	\$ 4.67	3/4/2021				
	5/10/2010	3,554	3,556	\$ 8.79	5/10/2020				
	8/12/2009	5,000(3)	5,000(3)	\$ 6.95	8/12/2019				
						25,000	59,250	17,928	42,489
Jareer Kasrawi	4/28/2011		15,000(3)	\$ 4.58	4/28/2021				
	3/4/2011	1,904	5,713	\$ 4.67	3/4/2021				
	8/30/2010	5,000(3)	15,000(3)	\$ 4.42	8/30/2020				
	8/12/2009	2,500(3)	2,500(3)	\$ 6.95	8/12/2019				
	1/22/2009	7,500(5)		\$ 21.16	1/22/2019				
	3/14/2008	13,875(5)		\$ 18.30	3/14/2018				
						4,646	11,011		

- (1) Unless otherwise noted herein, the RSU's will vest in full on the third anniversary of the grant date, subject to accelerated vesting upon certain terminations of employment following certain corporate transactions involving the Company. The shares of common stock underlying the RSU's will be issued when the RSU's vest.
- (2) Value based on the closing stock price of a share of Common Stock on December 31, 2011 (\$2.37).
- (3) The options will vest in four equal annual installments commencing on the first anniversary of the date of grant and expire if not exercised within ten years from the date of grant.
- (4) The options will vest at the rate of 25% on December 31<sup>st</sup> following the grant date and on each of the first, second and third anniversaries thereafter.
- (5) These options were fully vested in December, 2009.

**Option Exercises and Stock Vested**

None of our named executive officers acquired common stock pursuant to exercise of stock options during 2011.



### **Option Re-pricings**

We did not engage in any re-pricings of any of our named executive officers' outstanding equity awards during the year ended December 31, 2011. In December 2009, Mr. Thurman and all of our section 16 officers consented for no consideration to the cancellation of their outstanding options with exercise prices in excess of \$15 per share. Mr. Thurman and our section 16 officers agreed that it was in the best interest of the Company and its stockholders to agree to the cancellation to reduce the economic effect of the significant accounting charge associated with such outstanding underwater options.

### **Pension Benefits**

None of our named executive officers participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us. Our Compensation Committee may elect to adopt qualified or non-qualified benefit plans in the future if it determines that doing so is in our best interests.

### **Nonqualified Deferred Compensation**

None of our named executive officers participate in or have account balances in nonqualified defined contribution plans or other nonqualified deferred compensation plans maintained by us. Our Compensation Committee may elect to provide our officers and other employees with non-qualified defined contribution or other nonqualified deferred compensation benefits in the future if it determines that doing so is in our best interests.

### **Potential Payments Upon Termination Or Change In Control**

In this section, we describe payments that may be made to our named executive officers upon several events of termination, including termination in connection with a change in control. The payment amounts discussed and in the table below reflect the payments that would have been due to the named executive officers had the termination or change in control event occurred on December 31, 2011. The information in this section does not include information relating to payments and benefits provided on a nondiscriminatory basis to salaried employees generally upon termination of employment. On December 31, 2011, the last reported sale price of our Common Stock on the NASDAQ Stock Market was \$2.37 per share. Actual amounts payable would vary based on the date of the named executive officer's termination of employment and can only be finally determined at that time.

Unless specified otherwise, the information in this section is based upon the terms of the (i) Employment Agreement between us and Mr. Capper, dated June 15, 2010, (ii) Employment Agreement between us and Ms. McNamara, dated October 19, 2009, (iii) Employment Agreement between us and Ms. Getz, dated January 15, 2010, (iv) Employment Agreement between us and Mr. Ferola, dated February 7, 2011, (v) Employment Agreement between us and Mr. Kasrawi, dated June 28, 2011 (collectively, the "Agreements").

The Agreements provide each of our named executive officers severance payments and benefits upon termination of employment by us without cause or by the executives for good reason. Mr. Capper is entitled to a cash severance payment equal to the sum of (i) 2x his respective annual base salaries as of the last day of active employment and (ii) 2x his on-target annual performance incentive bonus in effect at the time of termination. With the exception of Mr. Capper, the other executives are entitled to a cash severance payment equal to the sum of (i) 1x their annual base salaries as of the last day of active employment and (ii) 1x their on-target annual performance incentive bonus in effect at the time of his termination. Mr. Galvan was entitled to a cash severance payment equal to the sum of (i) 1.5x

his annual base salary as of his last day of active employment, and (ii) 1.5x his on-target annual performance incentive bonus in effect at the time of his termination.

In addition, we will continue to provide to each of our named executive officers continued participation in our medical, dental and vision plans at the same premium rates and cost sharing as may be charged from time to time for employees generally for a specified period of time. Specifically, Mr. Capper will receive continued coverage for twenty-four months following the applicable date of termination and the other executives will have continued coverage for twelve months following the applicable date of termination.

The foregoing severance payments and benefits payable upon termination of employment to each named executive officer are conditioned on the execution of a written waiver and release of claims. In addition, for all of our named executive officers, such payments and benefits are consideration for the restrictive covenants set forth in the Agreements. Specifically, during the term of each executive's employment with us and during any period thereafter in which severance payments or benefits are paid, the executive may not compete with us (as defined in the Agreement).

The Agreements also provide each named executive officer (with the exception of Mr. Capper) with accelerated vesting of their equity awards in connection with termination of employment following a change in control. Specifically, if the executive's employment is terminated by us without cause or by the executive for good reason within thirty days before or twelve months after a change in control, all of equity awards will immediately accelerate and become fully vested. Mr. Capper's equity awards will immediately accelerate and become fully vested upon a change in control without regard to termination of his employment (unless he is terminated for cause).

In the event any payment or benefit to the other executive officers would constitute an excess parachute payment within the meaning of section 280G of the Internal Revenue Code and be subject to the excise tax imposed by section 4999 of the Internal Revenue Code, the affected executive will be entitled to the greater of (on a net after-tax basis): (i) the largest amount of the payment that would result in no portion of the payment or benefit being subject to the excise tax under section 4999 of the Internal Revenue Code, or (ii) the entire payment or benefit without any reduction to avoid the excise tax.

The Agreements do not provide any severance payments or benefits upon a termination by us for cause, by the executive without good reason, or on account of the executive's disability or death. The executive would be entitled only to base salary and unused vacation benefits earned through the date of the executive's termination of employment and the amount of any vested benefits under our benefit plans. We will have no further obligations to the executive under the Agreements, except as provided by law.

A termination for cause under the Agreements would generally result from an executive's: (i) willful and repeated failure to satisfactorily perform his job duties, (ii) willful commission of an act that materially injures our business, (iii) willful refusal or failure to follow lawful and reasonable directions of our Board of Directors, (iv) conviction of, or plea of *nolo contendere* to, any felony involving moral turpitude, (v) engagement or in any manner participation in any activity which is directly competitive with or injurious to us or any of our affiliates or which violates any restrictive covenants applicable to the executive, (vi) commission of any fraud against us, and our affiliates, employees, agents or customers or use or intentional appropriation for the executive's personal use or benefit of any company funds or property not authorized by our Board of Directors to be so used or appropriated, or (vii) material breach of or willful failure to comply with our policies, including, but not limited to, equal employment opportunity or harassment policies, insider trading policies, code of ethics or conflict of interest policies, non-disclosure and confidentiality policies, travel and expense policies, workplace violence policies, Sarbanes-Oxley compliance policies, policies governing preparation and

approval of financial statements, and/or policies governing the making of financial commitments on our behalf.

Good reason under the Agreements generally exists if, without the executive's consent, there is: (i) a change in the executive's title that is accompanied by a material reduction in the executive's duties, authority or responsibilities relative to the executive's duties, authority or responsibilities in effect immediately prior to such reduction, (ii) a relocation of the executive's principal business location to a point that requires a one-way increase of the executive's commuting distance of more than fifty miles, (iii) a material reduction of the executive's base salary, or (iv) a failure on our part to obtain the agreement from any successor to assume or agree to perform our obligations under the Agreements. Mr. Thurman has an additional good reason trigger under which he may resign for good reason if we fail to elect or re-elect or to appoint or re-appoint him as a member of our Board of Directors.

Under the Agreements, a change in control would be deemed to have occurred if (i) we consolidate or merge with and into any other corporation or other entity or person, or any other corporate reorganization occurs, in which our capital stock immediately prior to such consolidation, merger or reorganization, represents less than 50% of the voting power of the surviving entity immediately after such consolidation, merger or reorganization, (ii) we are party to any transaction, or series of related transactions in which more than 50% of our voting power is transferred (except any consolidation or merger effected exclusively to change our domicile or any transaction or series of transactions principally for bona fide equity financing purposes in which we receive cash or our indebtedness is canceled), or (iii) we sell, lease, license or dispose of all or substantially all of our assets. The Agreements do not provide for any tax gross-up compensation for excise taxes.



Edgar Filing: CardioNet, Inc. - Form DEF 14A

The following table summarizes the amounts payable to each of our named executive officers based on the items described above with respect to each of the events set forth in the table.

Named Executive Officer	Involuntary Termination without Cause or For Good Reason Unrelated to Change of Control	Upon a Change of Control	Involuntary Termination without Cause or For Good Reason Related to a Change of Control
	<b>Capper, Joseph H.</b>		
Cash Severance	\$2,140,000	\$0	\$2,140,000
Continued Welfare	\$20,337	\$0	\$20,337
Acceleration Value of Stock Options	\$0	\$1,313,537	\$1,313,537
Acceleration Value of Restricted Stock	\$0	\$220,609	\$220,609
Total Value	\$2,160,337	\$1,534,146	\$3,694,483
<b>Getz, Heather C.</b>			
Cash Severance	\$476,960	\$0	\$476,960
Continued Welfare	\$0	\$0	\$0
Acceleration Value of Stock Options	\$0	\$0	\$241,681
Acceleration Value of Restricted Stock	\$0	\$0	\$87,849
Total Value	\$476,960	\$0	\$806,490
<b>Ferola, Peter</b>			
Cash Severance	\$420,000	\$0	\$420,000
Continued Welfare	\$10,168	\$0	\$10,168
Acceleration Value of Stock Options	\$0	\$0	\$177,750
Acceleration Value of Restricted Stock	\$0	\$0	\$0
Total Value	\$430,168	\$0	\$607,918
<b>McNamara, Anna</b>			
Cash Severance	\$482,040	\$0	\$482,000
Continued Welfare	\$7,975	\$0	\$7,975
Acceleration Value of Stock Options	\$0	\$0	\$115,037
Acceleration Value of Restricted Stock	\$0	\$0	\$101,739
Total Value	\$490,015	\$0	\$706,751
<b>Kasrawi, Jareer</b>			
Cash Severance	\$360,000	\$0	\$360,000
Continued Welfare	\$10,168	\$0	\$10,168
Acceleration Value of Stock Options	\$0	\$0	\$163,511
Acceleration Value of Restricted Stock	\$0	\$0	\$11,011
Total Value	\$370,168	\$0	\$544,690

**PROPOSAL TWO:  
APPROVAL OF THE SECTION 162(M) LIMITS OF  
OUR 2008 EQUITY INCENTIVE PLAN**

Our 2008 Equity Incentive Plan was originally adopted by our board of directors in February 18, 2008 and approved by our stockholders in March 18, 2008. A total of 760,018 shares of common stock were initially authorized for issuance thereunder. The authorized amount was thereafter increased pursuant to the evergreen provisions of the 2008 Equity Incentive Plan, as well as by shares subject to stock options or similar awards granted under the Company's 2003 Stock Incentive Plan. The amount may also have been increased by shares issued under the 2003 Stock Incentive Plan that were returned and rolled into the 2008 Equity Incentive Plan pursuant to the terms of the 2008 Equity Incentive Plan.

As of March 12, 2012, a total of 1,798,169 shares have been authorized for issuance under the 2008 Equity Incentive Plan.

### **Purpose of the EIP**

As described in detail in the section entitled "*Executive Compensation Compensation Discussion and Analysis*" beginning on page 21 of this proxy statement, the Equity Incentive Plan is an equity incentive plan that is designed to align management interests with those of stockholders, provide opportunities for wealth creation and ownership, and encourage a long-term focus, all of which we believe promotes director and employee retention. The Equity Incentive Plan is designed to promote our long-term success and increase stockholder value by attracting, motivating and retaining our non-employee directors, officers, employees and consultants. To better align our executive officers' long-term interests with those of our stockholders, the Equity Incentive Plan does not allow the re-pricing of stock grants once they are awarded, without prior stockholder approval. The Equity Incentive Plan was designed with the flexibility to award stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance unit awards, performance share awards, cash-based awards and other equity-based awards to eligible persons.

### **Purpose of Proposal**

The Board of Directors believes that it is in the best interests of the Company and its stockholders to continue to preserve the ability of the Company to deduct in full compensation related to stock options, stock appreciation rights and other performance-based awards granted under the Equity Incentive Plan. Therefore, solely for the purpose of qualifying such compensation as performance-based under Section 162(m), the stockholders are asked to approve the following provisions of the Equity Incentive Plan (the "Section 162(m) Qualifying Provisions"):

All employees of the Company and any parent or subsidiary corporation of the Company or other affiliated entity are eligible to be granted stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, other stock-based awards and cash-based awards under the Equity Incentive Plan.

No participant may receive in any fiscal year under the Equity Incentive Plan equity-based awards intended to qualify as "performance-based" for more than 5,000,000 shares of our common stock, provided that this limit will be appropriately adjusted for stock splits, stock dividends and similar changes to the Company's capital structure.

No participant may receive in any fiscal year under the Equity Incentive Plan cash-denominated awards intended to qualify as "performance-based" for more than \$5,000,000 for each full fiscal year contained in the applicable performance period.

The vesting of restricted stock, restricted stock units, performance share and performance unit awards and other stock-based awards and cash-based awards intended to qualify as "performance-based" may be made subject to the attainment of performance goals for a specified period of time relating to one or more of the following performance measures, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or subsidiary, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group or index, in each case as specified by the administrator in the award: (i) earnings per share; (ii) earnings before interest, taxes and depreciation; (iii) earnings before interest, taxes, depreciation and amortization (EBITDA); (iv) total stockholder return; (v) return on equity; (vi) return on assets, investment, or capital employed; (vii) operating margin; (viii) gross margin; (ix) operating income; (x) net income (before or after taxes); (xi) net operating income; (xii) net

## Edgar Filing: CardioNet, Inc. - Form DEF 14A

operating income after tax; (xiii) pre- and after-tax income; (xiv) pre-tax profit; (xv) operating cash flow; (xvi) sales or revenue targets; (xvii) orders and revenue; (xviii) increases in revenue or product revenue; (xix) expenses and cost reduction goals; (xx) improvement in or attainment of expense levels; (xxi) improvement in or attainment of working capital levels; (xxii) economic value added (or an equivalent metric); (xxiii) market share; (xxiv) cash flow; (xxv) cash flow per share; (xxvi) share price performance; (xxvii) debt reduction; (xxviii) implementation or completion of projects or processes; (xxix) customer satisfaction; (xxx) stockholders' equity; and (xxxi) quality measures;

Generally, Section 162(m) does not permit publicly traded companies like CardioNet, Inc. to take a tax deduction for compensation in excess of \$1 million that is paid to the Chief Executive Officer or any of the three other most highly compensated executive officers (other than, in general, the principal financial officer) in any calendar year unless that compensation is paid under a performance-based plan that has been approved by the stockholders and satisfies certain other criteria. If our stockholders do not approve the Section 162(m) qualifying provisions of the Equity Incentive Plan at the Annual Meeting, we may continue to grant awards under the 2008 Equity Incentive Plan. However, future grants under the Original Plan may not qualify as performance-based compensation under Section 162(m).

The affirmative vote of a majority of shares of common stock present in person or represented by proxy and voting at the Annual Meeting and entitled to vote on the matter is required for approval of this proposal.

### **THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL TWO.**

#### **PROPOSAL THREE: RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors has selected Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012 and has further directed that management submit the selection of independent registered public accounting firm 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 registered public accounting firm. 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 2011, 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, 2011 and 2010, respectively, by Ernst & Young LLP, the Company's independent registered public accounting firm. All fees described below were approved by the Audit Committee.

	Fiscal Year Ended	
	2011	2010
Audit Fees(1)	\$ 475,000	\$ 684,000
Audit-related Fees(2)	\$ 465,000	\$ 0
Tax Fees(3)	\$ 151,000	\$ 77,573
All Other Fees(4)	\$ 0	\$ 0
<b>Total Fees</b>	<b>\$ 1,091,000</b>	<b>\$ 761,573</b>

- (1) Audit fees were principally for services rendered for the audit and/or review of our consolidated financial statements.
- (2) Audit-related fees were for services provided regarding merger and acquisition due diligence.
- (3) 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.
- (4) 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 policies and procedures for the pre-approval of audit and non-audit services rendered by our independent registered public accounting firm, Ernst & Young LLP. The policies generally pre-approve 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 registered public accounting firm or on an individual explicit case-by-case basis before the independent registered public accounting firm 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. 100% of the independent registered public accounting firm's fees were pre-approved.

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 THREE.**

## TRANSACTIONS WITH RELATED PERSONS

### RELATED-PERSON TRANSACTIONS POLICY AND PROCEDURES

We have adopted a written Related-Person Transactions Policy that sets forth our policies and procedures regarding the identification, review, consideration and oversight of "related-persons transactions." For purposes of our policy only, a "related-person transaction" is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we and any "related person" are participants involving an amount that exceeds \$120,000. Transactions involving compensation for services provided to us as an employee, director, consultant or similar capacity by a related person are not covered by this policy. A related person is any executive officer, director or a holder of more than five percent of our Common Stock, including any of their immediate family members and any entity owned or controlled by such persons.

Under the policy, where a transaction has been identified as a related-person transaction, management must present information regarding the proposed related-person transaction to our Audit Committee (or, where review by our Audit Committee would be inappropriate, to another independent body of our Board of Directors) for review. The presentation must include a description of, among other things, the material facts, the direct and indirect interests of the related persons, the benefits of the transaction to us and whether any alternative transactions are available. To identify related-person transactions in advance, we rely on information supplied by our executive officers, directors and certain significant stockholders. In considering related-person transactions, our Audit Committee takes into account the relevant available facts and circumstances including, but not limited to:

the risks, costs and benefits to us;

the impact on a director's independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated;

the terms of the transaction;

the availability of other sources for comparable services or products; and

the terms available to or from, as the case may be, unrelated third parties or to or from our employees generally.

In the event a director has an interest in the proposed transaction, the director must recuse himself or herself from the deliberations and approval. Our policy requires that, in reviewing a related-person transaction, our Audit Committee must consider, in light of known circumstances, whether the transaction is in, or is not inconsistent with, the best interests of us and our stockholders, as our Audit Committee determines in the good faith exercise of its discretion. We did not previously have a formal policy concerning transactions with related persons.

We are not aware of any transaction required to be reported as a related-person transaction since January 1, 2011 where such policies and procedures did not require review, approval or ratification or where such policies and procedures were not followed.

### Stock Options Granted to Executive Officers and Directors

We have granted stock options to our executive officers and directors, as more fully described in the section entitled "Director and Executive Compensation."

### Indemnification Agreements

We have entered, and intend to continue to enter, into indemnification agreements with our directors and executive officers. These agreements, among other things, require us to indemnify our directors and executive officers for certain expenses, including attorneys' fees, judgments, fines and

## Edgar Filing: CardioNet, Inc. - Form DEF 14A

settlement amounts incurred by a director or executive officer in any action or proceeding arising out of their services as one of our directors or executive officers, or any of our subsidiaries or any other company or enterprise to which the person provides services at our request.

### HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are CardioNet stockholders will be "householding" our proxy materials. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy statement and annual report, please notify your broker, or direct your written request to CardioNet, Inc., Peter Ferola, Corporate Secretary, 227 Washington Street #210, Conshohocken, Pennsylvania 19428 or contact Peter Ferola at (610) 729-0212. Stockholders who currently receive multiple copies of the proxy statement at their addresses and would like to request "householding" of their communications should contact their brokers.

### OTHER MATTERS

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

Peter Ferola  
*Secretary*

46

---











QuickLinks

PROPOSAL ONE: ELECTION OF DIRECTORS

The Board of Directors Recommends A Vote In Favor of Our Named Nominee.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

EQUITY COMPENSATION PLAN INFORMATION

DIRECTOR AND EXECUTIVE COMPENSATION

PROPOSAL TWO: APPROVAL OF THE SECTION 162(M) LIMITS OF OUR 2008 EQUITY INCENTIVE PLAN

PROPOSAL THREE: RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TRANSACTIONS WITH RELATED PERSONS

HOUSEHOLDING OF PROXY MATERIALS

OTHER MATTERS