BEL FUSE INC /NJ
Form SC 13D/A
October 31, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934 (Amendment No. 14)

Bel Fuse Inc.
(Name of Issuer)

Class A Common Stock
(Title of Class of Securities)

_____077347201_____
(CUSIP Number)

Peter D. Goldstein
GAMCO Investors, Inc.
One Corporate Center
Rye, New York 10580-1435
(914) 921-7732
(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

_____ October 30, 2008_____
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box .

1

CUSIP No. 077347201

1 Names of reporting persons
I.R.S. identification nos. of above persons (entities only)
Gabelli Funds, LLC I.D. No. 13-4044523

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS)(a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
00-Funds of investment advisory clients

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
New York

Number Of	: 7	Sole voting power
Shares	:	216,000 (Item 5)
Beneficially	: 8	Shared voting power
Owned	:	None
By Each	: 9	Sole dispositive power
Reporting	:	216,000 (Item 5)
Person	:10	Shared dispositive power
With	:	None

11 Aggregate amount beneficially owned by each reporting person

216,000 (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
(SEE INSTRUCTIONS)

13 Percent of class represented by amount in row (11)

8.60%

14 Type of reporting person (SEE INSTRUCTIONS)
IA

CUSIP No. 077347201

1 Names of reporting persons
I.R.S. identification nos. of above persons (entities only)
GAMCO Asset Management Inc. I.D. No. 13-4044521

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS)(a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
00-Funds of investment advisory clients

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
New York

Number Of	: 7	Sole voting power
Shares	:	12,900 (Item 5)
Beneficially	: 8	Shared voting power
Owned	:	None
By Each	: 9	Sole dispositive power
Reporting	:	12,900 (Item 5)
Person	:10	Shared dispositive power
With	:	None

11 Aggregate amount beneficially owned by each reporting person

12,900 (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
(SEE INSTRUCTIONS)

13 Percent of class represented by amount in row (11)

0.51%

14 Type of reporting person (SEE INSTRUCTIONS)
IA, CO

3

CUSIP No. 077347201

1 Names of reporting persons
I.R.S. identification nos. of above persons (entities only)
Teton Advisors, Inc. I.D. No. 13-4008049

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS)(a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
00 – Funds of investment advisory clients

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
Delaware

Number Of	: 7	Sole voting power
Shares	:	4,000 (Item 5)
Beneficially	: 8	Shared voting power
Owned	:	None
By Each	: 9	Sole dispositive power
Reporting	:	4,000 (Item 5)
Person	:10	Shared dispositive power
With	:	None

11 Aggregate amount beneficially owned by each reporting person

4,000 (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
(SEE INSTRUCTIONS)

13 Percent of class represented by amount in row (11)

0.16%

14 Type of reporting person (SEE
INSTRUCTIONS)

IA, CO

4

CUSIP No. 077347201

1 Names of reporting persons
I.R.S. identification nos. of above persons (entities only)
GGCP,
Inc. I.D.
No. 13-3056041

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS)(a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
None

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
New York

Number Of	: 7	Sole voting power
Shares	:	None (Item 5)
Beneficially	: 8	Shared voting power
Owned	:	None
By Each	: 9	Sole dispositive power
Reporting	:	None (Item 5)
Person	:10	Shared dispositive power
With	:	None

11 Aggregate amount beneficially owned by each reporting person

None (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
(SEE INSTRUCTIONS) X

13 Percent of class represented by amount in row (11)

0.00%

14 Type of reporting person (SEE INSTRUCTIONS)
HC, CO

5

CUSIP No. 077347201

1 Names of reporting persons
I.R.S. identification nos. of above persons (entities only)
GAMCO Investors,
Inc. I.D.
No. 13-4007862
Check the appropriate box if a member of a group (SEE INSTRUCTIONS)(a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
None

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
New York

Number Of	: 7	Sole voting power
Shares	:	None (Item 5)
Beneficially	: 8	Shared voting power
Owned	:	None
By Each	: 9	Sole dispositive power
Reporting	:	None (Item 5)
Person	:10	Shared dispositive power
With	:	None

11 Aggregate amount beneficially owned by each reporting person

None (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
(SEE INSTRUCTIONS) X

13 Percent of class represented by amount in row (11)

0.00%

14 Type of reporting person (SEE INSTRUCTIONS)
HC, CO

CUSIP No. 077347201

1 Names of reporting persons
I.R.S. identification nos. of above persons (entities only)
Mario J. Gabelli

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS)(a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
None

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
USA

Number Of	: 7	Sole voting power
Shares	:	None (Item 5)
Beneficially	: 8	Shared voting power
Owned	:	None
By Each	: 9	Sole dispositive power
Reporting	:	None (Item 5)
Person	:10	Shared dispositive power
With	:	None

11 Aggregate amount beneficially owned by each reporting person

None (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
(SEE INSTRUCTIONS) X

13 Percent of class represented by amount in row (11)

0.00%

14 Type of reporting person (SEE INSTRUCTIONS)
IN

7

Item 1. Security and Issuer

This Amendment No. 14 to Schedule 13D on the Class A Common Stock of Bel Fuse Inc. (the "Issuer") is being filed on behalf of the undersigned to amend the Schedule 13D, as amended (the "Schedule 13D"), which was originally filed on June 25, 2007. Unless otherwise indicated, all capitalized terms used herein but not defined herein shall have the same meaning as set forth in the Schedule 13D.

Item 2. Identity and Background

This statement is being filed by Mario J. Gabelli ("Mario Gabelli") and various entities which he directly or indirectly controls or for which he acts as chief investment officer. These entities, except for LICT Corporation ("LICT"), engage in various aspects of the securities business, primarily as investment adviser to various institutional and individual clients, including registered investment companies and pension plans, and as general partner of various private investment partnerships. Certain of these entities may also make investments for their own accounts.

The foregoing persons in the aggregate often own beneficially more than 5% of a class of a particular issuer. Although several of the foregoing persons are treated as institutional investors for purposes of reporting their beneficial ownership on the short-form Schedule 13G, the holdings of those who do not qualify as institutional investors may exceed the 1% threshold presented for filing on Schedule 13G or implementation of their investment philosophy may from time to time require action which could be viewed as not completely passive. In order to avoid any question as to whether their beneficial ownership is being reported on the proper form and in order to provide greater investment flexibility and administrative uniformity, these persons have decided to file their beneficial ownership reports on the more detailed Schedule 13D form rather than on the short-form Schedule 13G and thereby to provide more expansive disclosure than may be necessary.

(a), (b) and (c) - This statement is being filed by one or more of the following persons: GGCP, Inc. ("GGCP"), GAMCO Investors, Inc. ("GBL"), Gabelli Funds, LLC ("Gabelli Funds"), GAMCO Asset Management Inc. ("GAMCO"), Teton Advisors, Inc. ("Teton Advisors"), Gabelli Securities, Inc. ("GSI"), Gabelli & Company, Inc. ("Gabelli & Company"), MJG Associates, Inc. ("MJG Associates"), Gabelli Foundation, Inc. ("Foundation"), Mario Gabelli, and LICT. Those of the foregoing persons signing this Schedule 13D are hereafter referred to as the "Reporting Persons".

GGCP makes investments for its own account and is the parent company of GBL. GBL, a public company listed on the New York Stock Exchange, is the parent company for a variety of companies engaged in the securities business, including those named below.

GAMCO, a wholly-owned subsidiary of GBL, is an investment adviser registered under the Investment Advisers Act of 1940, as amended ("Advisers Act"). GAMCO is an investment manager providing discretionary managed account services for employee benefit plans, private investors, endowments, foundations and others.

GSI, a majority-owned subsidiary of GBL, is an investment adviser registered under the Advisers Act and serves as a general partner or investment manager to limited partnerships and offshore investment companies. As a part of its business, GSI may purchase or sell securities for its own account. It is the immediate parent of Gabelli & Company. GSI is the general partner or investment manager of a number of funds or partnerships, including Gabelli Associates Fund, Gabelli Associates Fund II, Gabelli Associates Limited, ALCE Partners, L.P., and Gabelli Multimedia Partners, L.P. GSI and Marc Gabelli own 45% and 55%, respectively, of Gabelli Securities International Limited ("GSIL"). GSIL provides investment advisory services to offshore funds and accounts. GSIL is an investment advisor of Gabelli International Gold Fund Limited, Gabelli European Partners, Ltd., and Gabelli Global Partners, Ltd.

Gabelli & Company, a wholly-owned subsidiary of GSI, is a broker-dealer registered under the Securities Exchange Act of 1934, as amended ("1934 Act"), which as a part of its business regularly purchases and sells securities for its own account.

Gabelli Funds, a wholly owned subsidiary of GBL, is a limited liability company. Gabelli Funds is an investment adviser registered under the Advisers Act which presently provides discretionary managed account services for The Gabelli Equity Trust Inc., The Gabelli Asset Fund, The GAMCO Growth Fund, The Gabelli Convertible and Income Securities Fund Inc., The Gabelli Value Fund Inc., The Gabelli Small Cap Growth Fund, The Gabelli Equity Income Fund, The Gabelli ABC Fund, The GAMCO Global Telecommunications Fund, GAMCO Gold Fund, Inc., The Gabelli Global Multimedia Trust Inc., The GAMCO Global Convertible Securities Fund, Gabelli Capital Asset Fund,

GAMCO International Growth Fund, Inc., The GAMCO Global Growth Fund, The Gabelli Utility Trust, The GAMCO Global Opportunity Fund, The Gabelli Utilities Fund, The Gabelli Blue Chip Value Fund, The GAMCO Mathers Fund, The Gabelli Woodland Small Cap Value Fund, The Comstock Capital Value Fund, The Comstock Strategy Fund, The Gabelli Dividend and Income Trust, The Gabelli Global Utility & Income Trust, The Gabelli Global Gold, Natural Resources, & Income Trust, The Gabelli Global Deal Fund, Gabelli Enterprise M&A Fund, The Gabelli SRI Fund, Inc. and The Gabelli Healthcare & Wellness Rx Trust (collectively, the "Funds"), which are registered investment companies.

Teton Advisors, a subsidiary of GBL, is an investment adviser which provides discretionary advisory services to The GAMCO Westwood Mighty Mitessm Fund, The GAMCO Westwood Income Fund and The GAMCO Westwood Small Cap Fund.

MJG Associates provides advisory services to private investment partnerships and offshore funds. Mario Gabelli is the sole shareholder, director and employee of MJG Associates. MJG Associates is the Investment Manager of Gabelli International Limited, Gabelli International II Limited and Gabelli Fund, LDC. Mario J. Gabelli is the general partner of Gabelli Performance Partnership, LP.

The Foundation is a private foundation. Mario Gabelli is the Chairman, a Trustee and the Investment Manager of the Foundation. Elisa Gabelli Wilson is the President of the Foundation.

LICT is a holding company with operating subsidiaries engaged primarily in the rural telephone industry. LICT actively pursues new business ventures and acquisitions. LICT makes investments in marketable securities to preserve capital and maintain liquidity for financing their business activities and acquisitions and are not engaged in the business of investing, reinvesting, or trading in securities. Mario J. Gabelli is a director, and substantial shareholder of LICT.

Mario Gabelli is the majority stockholder and Chief Executive Officer of GGCP and Chairman and Chief Executive Officer of GBL. GGCP is the majority shareholder of GBL. GBL, in turn, is the sole stockholder of GAMCO. GBL is also the majority stockholder of GSI and the largest shareholder of Teton Advisors. Gabelli & Company is a wholly-owned subsidiary of GSI.

The Reporting Persons do not admit that they constitute a group.

GBL, GAMCO, and Gabelli & Company are New York corporations and GSI and Teton Advisors are Delaware corporations, each having its principal business office at One Corporate Center, Rye, New York 10580. GGCP is a New York corporation having its principal business office at 140 Greenwich Avenue, Greenwich, CT 06830. Gabelli Funds is a New York limited liability company having its principal business office at One Corporate Center, Rye, New York 10580. MJG Associates is a Connecticut corporation having its principal business office at 140 Greenwich Avenue, Greenwich, CT 06830. The Foundation is a Nevada corporation having its principal offices at 165 West Liberty Street, Reno, Nevada 89501. LICT is a Delaware corporation having its principal place of business at 401 Theodore Fremd Avenue, Rye, New York 10580.

For information required by instruction C to Schedule 13D with respect to the executive officers and directors of the foregoing entities and other related persons (collectively, "Covered Persons"), reference is made to Schedule I annexed hereto and incorporated herein by reference.

(f) - Reference is made to Schedule I hereto.

Item 3. Source and Amount of Funds or Other Consideration

Item 3 to Schedule 13D is amended, in pertinent part, as follows:

The Reporting Persons used an aggregate of approximately $596,650 to purchase the additional Securities reported as beneficially owned in Item 5 since the most recent filing on Schedule 13D. GAMCO and Gabelli Funds used approximately $29,246 and $567,404, respectively, of funds that were provided through the accounts of certain of their investment advisory clients (and, in the case of some of such accounts at GAMCO, may be through borrowings from client margin accounts) in order to purchase the additional Securities for such clients.

Item 5. Interest In Securities Of The Issuer

Item 5 to Schedule 13D is amended, in pertinent part, as follows:

(a) The aggregate number of Securities to which this Schedule 13D relates is 232,900 shares, representing 9.27% of the 2,511,380 shares outstanding as reported in the Issuer's most recent Form 10-Q for the quarterly period ended June

30, 2008. The Reporting Persons beneficially own those Securities as follows:

Name	Shares of Common Stock	% of Class of Common
Gabelli Funds	216,000	8.60%
GAMCO	12,900	0.51%
Teton Advisors	4,000	0.16%

Mario Gabelli is deemed to have beneficial ownership of the Securities owned beneficially by each of the foregoing persons. GSI is deemed to have beneficial ownership of the Securities owned beneficially by Gabelli & Company. GBL and GGCP are deemed to have beneficial ownership of the Securities owned beneficially by each of the foregoing persons other than Mario Gabelli and the Foundation.

(b) Each of the Reporting Persons and Covered Persons has the sole power to vote or direct the vote and sole power to dispose or to direct the disposition of the Securities reported for it, either for its own benefit or for the benefit of its investment clients or its partners, as the case may be, except that (i) Gabelli Funds has sole dispositive and voting power with respect to the shares of the Issuer held by the Funds so long as the aggregate voting interest of all joint filers does not exceed 25% of their total voting interest in the Issuer and, in that event, the Proxy Voting Committee of each Fund shall respectively vote that Fund's shares, (ii) at any time, the Proxy Voting Committee of each such Fund may take and exercise in its sole discretion the entire voting power with respect to the shares held by such fund under special circumstances such as regulatory considerations, and (iii) the power of Mario Gabelli, GBL, and GGCP is indirect with respect to Securities beneficially owned directly by other Reporting Persons.

(c) Information with respect to all transactions in the Securities which were effected during the past sixty days or since the most recent filing on Schedule 13D, whichever is less, by each of the Reporting Persons and Covered Persons is set forth on Schedule II annexed hereto and incorporated herein by reference.

(e) Not applicable.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: October 31, 2008

MARIO J. GABELLI
GGCP, INC.
GABELLI FUNDS, LLC
TETON ADVISORS, INC.
GAMCO ASSET MANAGEMENT INC
GAMCO INVESTORS, INC.

By:/s/ Douglas R. Jamieson
Douglas R. Jamieson
Attorney-in-Fact for Mario J. Gabelli
Director – GGCP, Inc.
President & Chief Operating Officer of the sole member of Gabelli Funds, LLC.
Director – Teton Advisors, Inc.
President – GAMCO Asset Management Inc.
President & Chief Operating Officer – GAMCO Investors,Inc.

Schedule I
Information with Respect to Executive
Officers and Directors of the Undersigned
Schedule I to Schedule 13D is amended, in pertinent part, as follows:

The following sets forth as to each of the executive officers and directors of the undersigned: his name; his business address; his present principal occupation or employment and the name, principal business and address of any corporation or other organization in which such employment is conducted. Unless otherwise specified, the principal employer of each such individual is GAMCO Asset Management, Inc., Gabelli Funds, LLC, Gabelli Securities, Inc., Gabelli & Company, Inc., Teton Advisors, Inc., or GAMCO Investors, Inc., the business address of each of which is One Corporate Center, Rye, New York 10580, and each such individual identified below is a citizen of the United States. To the knowledge of the undersigned, during the last five years, no such person has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors), and no such person was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which he was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities law or finding any violation with respect to such laws except as reported in Item 2(d) of this Schedule 13D.

GGCP, Inc.
Directors:

Vincent J. Amabile	Business Consultant
Mario J. Gabelli	Chief Executive Officer of GGCP, Inc., and Chairman & Chief Executive Officer of GAMCO Investors, Inc.; Director/Trustee of all registered investment companies advised by Gabelli Funds, LLC; Chairman of LICT Corporation.
Marc J. Gabelli	Chairman of The LGL Group, Inc.
Matthew R. Gabelli	Vice President – Trading Gabelli & Company, Inc. One Corporate Center Rye, New York 10580
Charles C. Baum	Secretary & Treasurer United Holdings Co., Inc. 2545 Wilkens Avenue Baltimore, MD 21223
Douglas R. Jamieson	See below
Joseph R. Rindler, Jr.	Account Executive for GAMCO Asset Management Inc.
Fredric V. Salerno	Chairman; Former Vice Chairman and Chief Financial Officer Verizon Communications
Vincent Capurso	Vice President Taxes, Barnes & Noble, Inc.
Vincent S. Tese	Former Director GAMCO Investors, Inc.
Michael Gabelli	Director

Officers:

Mario J. Gabelli	Chief Executive Officer and Chief Investment Officer
Michael G. Chieco	Chief Financial Officer, Secretary

GAMCO Investors, Inc.
Directors:

Edwin L. Artzt	Former Chairman and Chief Executive Officer Procter & Gamble Company 900 Adams Crossing

	Cincinnati, OH 45202
Raymond C. Avansino	Chairman & Chief Executive Officer E.L. Wiegand Foundation Reno, NV 89501
Richard L. Bready	Chairman and Chief Executive Officer Nortek, Inc. 50 Kennedy Plaza Providence, RI 02903
Mario J. Gabelli	See above
John D. Gabelli	Senior Vice President
Eugene R. McGrath	Former Chairman and Chief Executive Officer Consolidated Edison, Inc.
Robert S. Prather	President & Chief Operating Officer Gray Television, Inc. 4370 Peachtree Road, NE Atlanta, GA 30319

Officers:

Mario J. Gabelli	Chairman and Chief Executive Officer
Douglas R. Jamieson	President and Chief Operating Officer
Henry G. Van der Eb	Senior Vice President
Jeffrey M. Farber	Executive Vice President and Chief Financial Officer
Christopher Michailoff	Acting Secretary

GAMCO Asset Management Inc.
Directors:

Douglas R. Jamieson
Regina M. Pitaro
William S. Selby

Officers:

Mario J. Gabelli	Chief Investment Officer – Value Portfolios
Douglas R. Jamieson	President
John Piontkowski	Chief Operating Officer & Chief Financial Officer
Chistopher J. Michailoff	General Counsel and Secretary

Gabelli Funds, LLC
Officers:

Mario J. Gabelli	Chief Investment Officer – Value Portfolios
Bruce N. Alpert	Executive Vice President and Chief Operating Officer
Agnes Mullady	Vice President and President Closed-End Fund Division

Teton Advisors, Inc.
Directors:

Bruce N. Alpert	See above
Douglas R. Jamieson	See above

Officers:

Bruce N. Alpert	Chairman
Nicholas F. Galluccio	Chief Executive Officer and President

Gabelli Securities, Inc.

Directors:

Robert W. Blake	President of W. R. Blake & Sons, Inc. 196-20 Northern Boulevard Flushing, NY 11358
Douglas G. DeVivo	General Partner of ALCE Partners, L.P. One First Street, Suite 16 Los Altos, CA 94022
Douglas R. Jamieson	President

Officers:

Douglas R. Jamieson	See above
Christopher J. Michailoff	Secretary
Kieran Caterina	Chief Financial Officer

Gabelli & Company, Inc.
Directors:

James G. Webster, III	Chairman & Interim President
Irene Smolicz	Senior Trader Gabelli & Company, Inc.

Officers:

James G. Webster, III	See Above
Bruce N. Alpert	Vice President - Mutual Funds

LICT Corporation
401 Theodore Fremd Avenue Rye, NY 10580

Directors:

Mario J. Gabelli	See above - GGCP, Inc.
Glenn J. Angiolillo	P.O. Box 128 New Canaan, CT 06840
Alfred W. Fiore	The Ross Companies 1270 Avenue of the Americas New York, NY 10020-1703
Salvatore Muoio	Principal S. Muoio & Co., LLC Suite 406 509 Madison Ave. New York, NY 10022
Gary L. Sugarman	Chief Executive Officer Richfield Associates 400 Andrews Street Rochester, NY 14604

Officers:

Mario J. Gabelli	Chairman
Robert E. Dolan	Interim President and Chief Executive Officer, Chief Financial Officer
Thomas J. Hearity	General Counsel

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SCHEDULE II
INFORMATION WITH RESPECT TO
TRANSACTIONS EFFECTED DURING THE PAST SIXTY DAYS OR
SINCE THE MOST RECENT FILING ON SCHEDULE 13D (1)

DATE	SHARES PURCHASED SOLD(-)	AVERAGE PRICE(2)
COMMON STOCK-BEL FUSE INC.		
GABELLI FUNDS, LLC.		
GABELLI SMALL CAP GROWTH FUND		
10/21/08	2,000	18.5000
10/20/08	7,200	18.5000
10/16/08	800	18.2638
GABELLI EQUITY TRUST		
10/29/08	1,200	16.9225
10/16/08	700	18.0000
10/15/08	100	18.0000
THE GABELLI GLOBAL DEAL FUND		
10/30/08	5,000	17.3810
9/04/08	4,600	28.8800
9/03/08	1,100	28.8800
9/02/08	500	28.8800

(1) UNLESS OTHERWISE INDICATED, ALL TRANSACTIONS WERE EFFECTED ON THE NASDAQ GLOBAL SELECT MARKET.

(2) PRICE EXCLUDES COMMISSION.

nor DNA (cfDNA) technology for the diagnosis, treatment and management of transplant rejection, immune disorders and diseases, including the development of a new, non-invasive test designed to detect the early stages of solid organ transplant rejection. The Company acquired all IMX assets associated with transplant diagnostics, including related immune repertoire and infectious diseases. An IMX successor company retained the limited assets not associated with transplant diagnostics. The acquisition was structured as a tax-free reorganization.

The Company acquired all of the issued and outstanding capital stock of IMX for the total estimated purchase price of $17.2 million consisting of $600,000 in cash; 911,364 shares of the Company s Series G convertible preferred stock with an estimated fair value of $14.2 million, including 23,229 shares of the Company s Series G convertible preferred stock with an estimated fair value of $369,000 as a result of the Company s assumption of IMX outstanding stock options; and an additional payment of 227,845 shares of CareDx Series G convertible preferred stock if a future milestone is achieved. The Agreement provides that the milestone will be achieved if the Company completes 2,500 commercial tests involving the measurement of cfDNA in organ transplant recipients in the United States no later than six years after the closing date of the acquisition. All shares of Series G Preferred Stock and options to acquire Series G Preferred Stock converted into common stock and options to acquire common stock, respectively, immediately prior to the closing of the Company s initial public offering. The additional shares to be paid for the achievement of the milestone will also be issued in common stock. The fair value of this contingent consideration was $2.3 million at the acquisition date, $1.1 million at December 31, 2014, and $963,000 at June 30, 2015.

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The intellectual property acquired includes an exclusive license from Stanford University to a patent relating to the diagnosis of rejection in organ transplant recipients using cfDNA. The license provides for the Company to pay royalties to Stanford University on sales of the Company s cfDNA tests.

IMX s post-acquisition results of operations for the three and six months ending June 30, 2015 are included in the Company s condensed statement of operations.

Pro Forma Impact of the Acquisition of IMX

The following table presents pro forma results of operations and gives effect to the IMX transaction as if the transaction had been consummated on January 1, 2013. The unaudited pro forma results of operations have been prepared for comparative purposes only and are not necessarily indicative of what would have occurred had the business combination been completed at the beginning of the period or of the results that may occur in the future. Furthermore, the pro forma financial information does not reflect the impact of any reorganization or operating efficiencies resulting from combining the two companies (in thousands, except per share data):

	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Net revenue	$ 6,776	$ 12,700
Net loss	$ (518)	$ (2,288)
Net loss per common share - basic and diluted	$ (0.51)	$ (2.26)

The unaudited pro forma consolidated financial information was prepared using the acquisition method of accounting and is based on the historical financial information of the Company and IMX, reflecting the Company s and IMX s results of operations for the three and six month periods ending June 30, 2014. The historical financial information has been adjusted to give effect to the pro forma events that are: (i) directly attributable to the acquisition, (ii) factually supportable and (iii) expected to have a continuing impact on the combined results. The unaudited pro forma consolidated financial information reflects: (a) the removal of acquisition-related costs of $1.6 million and $1.7 million incurred by both CareDx and IMX for the three and six months ended June 30, 2014, respectively, including the removal of $0.2 million of IMX stock-based compensation expense that resulted from modifications to options in anticipation of the acquisition; (b) the removal of a $1.5 million tax benefit for the three and six months ended June 30, 2014 that resulted from the acquisition; (c) the addition of salaries, benefits and fees for IMX employees and consultants retained after the acquisition. Acquisition related expenses are primarily included in general and administrative expenses.

12. SUBSEQUENT EVENT

Shelf Filing

On August 10, 2015, the Company filed a registration statement on Form S-3 (Shelf Filing) with the Securities and Exchange Commission which will allow the Company to raise up to $75 million from the capital markets. In addition, on August 10, 2015 the Company entered into an At The Market Issuance Sales Agreement (the 2015 ATM Agreement), with Cantor Fitzgerald and Company (Cantor) under which it may sell shares of its common stock from

time to time in an aggregate amount not to exceed $19 million per year per the 2015 ATM Agreement and not to exceed $75 million in total per the Shelf Filing. Cantor may sell the shares by any method permitted by law deemed to be an at the market offering as defined in Rule 415 of the Securities Act, including without limitation sales made directly on The NASDAQ Global Market, on any other existing trading market for the Company s common stock or to or through a market maker. Cantor also may sell the shares in privately negotiated transactions, subject to the Company s prior approval. The Company will pay Cantor a commission equal to 3% of the gross proceeds of the sales price of all shares sold through it as sales agent under the 2015 ATM Agreement.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with the unaudited condensed financial statements and related notes included elsewhere in Item 1 of Part I of this Quarterly Report on Form 10-Q and with the audited financial statements and the related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 as filed with the Securities and Exchange Commission on March 31, 2015.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words believe, may, will, potentially, estima continue, anticipate, intend, could, would, project, plan, expect and the negative and plural forms of the similar expressions are intended to identify forward-looking statements.

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These forward-looking statements may include, but are not limited to, statements concerning the following:

- our ability to generate revenue from sales of AlloMap and future solutions, if any, and our ability to increase the commercial success of AlloMap;
- our plans and ability to develop and commercialize new solutions, including cell-free DNA, or cfDNA, solutions for the surveillance of heart and kidney transplant recipients;
- our ability to achieve, maintain and expand reimbursement coverage from payers for AlloMap and future solutions, if any;
- the outcome or success of our clinical trial collaborations and observational studies;
- our compliance with federal, state and foreign regulatory requirements;
- the favorable review of AlloMap and our future solutions, if any, in peer-reviewed publications;
- our ability to protect and enforce our intellectual property rights, our strategies regarding filing additional patent applications to strengthen our intellectual property rights, and our ability to defend against intellectual property claims that may be brought against us;
- our anticipated cash needs and our anticipated uses of our funds, including our estimates regarding operating expenses and capital requirements;
- anticipated trends and challenges in our business and the markets in which we operate; and
- our ability to comply with the requirements of being a public company.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the section entitled Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report to conform these statements to actual results or to changes in our expectations.

You should read this report and the documents that we reference in this report and have filed with the SEC as exhibits with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect. We qualify all forward-looking statements by these cautionary statements.

Overview and Recent Developments

We are a commercial stage company that develops, markets and delivers diagnostic surveillance solutions for organ transplant recipients to help clinicians make personalized treatment decisions throughout a patient s lifetime. Our one commercialized testing solution, the AlloMap heart transplant molecular test, is a blood-based test used to monitor heart transplant recipients for moderate or acute cellular rejection. We believe the use of AlloMap, in conjunction with other clinical indicators, can help healthcare providers and their patients better manage long-term care following a heart transplant. In particular, we believe AlloMap can improve patient care by helping healthcare providers to avoid the use of unnecessary, invasive surveillance biopsies and to determine the appropriate dosage levels of immunosuppressants. We believe that there is a significant unmet need for post-transplant surveillance solutions and are applying our expertise in transplantation towards the development of additional solutions for other organ transplant recipients, including recipients of kidney transplants.

Since the launch of AlloMap in January 2005 we have performed more than 70,000 commercial AlloMap tests, including more than 11,000 tests in 2014, in our Brisbane, California laboratory. In 2014, the test was used in 110 of the approximately 129 heart transplant management centers in the U.S. We believe that there is an opportunity for AlloMap outside of the U.S. and through recent partnerships we have expanded the AlloMap offering to Europe and Canada. We believe that we are not currently capacity constrained and that our current facility can support a substantial increase in AlloMap testing volume.

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On August 10, 2015, the Company filed a registration statement on Form S-3 with the Securities and Exchange Commission which will allow the Company to raise up to $75 million from the capital markets.

Financial Operations Overview

Testing Revenue

Our testing revenue is derived from AlloMap tests which represented 98% and 99% of our total revenues for the three and six months ended June 30, 2015, respectively, and 98% and 99% for the three and six months ended June 30, 2014, respectively. Our testing revenue depends on a number of factors, including (i) the number of tests performed; (ii) establishment of coverage policies by third-party insurers and government payers; (iii) our ability to collect from payers with whom we do not have positive coverage determination, which often requires that we pursue a case-by-case appeals process; (iv) our ability to recognize revenue on tests billed prior to the establishment of reimbursement policies, contracts or payment histories; (v) our ability to expand into markets outside of the United States; and (vi) how quickly we can successfully commercialize new product offerings.

We currently market AlloMap to healthcare providers through our direct sales force that targets transplant centers and their physicians, coordinators and nurse practitioners. The healthcare providers that order the tests and on whose behalf we provide our testing services are generally not responsible for the payment of these services. As of June 30, 2015, the list price of AlloMap was $3,600 per test. However, amounts actually received by us vary from payer to payer based on each payer s internal coverage practices and policies. We generally bill third-party payers upon delivery of an AlloMap score report to the ordering physician. As such, we take the assignment of benefits and the risk of collection from the third-party payer and individual patients.

As of June 30, 2015 and 2014, the number of tests for which results were delivered and billed, but for which the associated revenue had not been recognized because our revenue recognition criteria were not met, and taking into account claim status and possibility of collection, was approximately 3,400 and 3,300, respectively. We cannot provide any assurance as to when, if ever, or to what extent any of these amounts will be collected.

Collaboration and License Revenue

Revenue from our collaboration and license agreements was not more than 2% of total revenues for each period presented. Collaboration and license agreements may include non-refundable upfront payments, partial or complete reimbursement of research and development costs, contingent payments based on the occurrence of specified events under the agreements, license fees and royalties on sales of products or product candidates if they are successfully commercialized. Our performance obligations under the collaboration and license agreements may include the transfer of intellectual property rights in the form of licenses, obligations to provide research and development services and obligations to participate on certain development committees with the collaboration partners. We make judgments that affect the periods over which we recognize revenue. We periodically review our estimated periods of performance based on the progress under each arrangement and account for the impact of any change in estimated periods of performance on a prospective basis.

Cost of Testing

Cost of testing reflects the aggregate costs incurred in delivering our AlloMap test results to clinicians. The components of our cost of testing are materials and service costs, direct labor costs, including stock-based compensation, equipment and infrastructure expenses associated with testing samples, shipping, logistics and specimen processing charges to collect and transport samples and allocated overhead including rent,

information technology, equipment depreciation and utilities and royalties. Costs associated with performing tests (except royalties) are recorded as the test is processed regardless of whether and when revenue is recognized with respect to that test. Royalties incurred for licensed technology, calculated as a percentage of test revenues, are recorded as license fees in cost of testing at the time the test revenues are recognized.

Royalties included in cost of testing are associated with a license from Roche Molecular Systems, Inc., or Roche. In September 2014, we agreed with Roche to a downward adjustment of the combination services percentage used to determine the portion of the AlloMap service that is royalty bearing under the terms of the license with Roche. As part of this agreement no further royalties will be payable by us for periods after September 30, 2017. We expect cost of testing to increase, in absolute dollars, as the number of tests we perform increases. However, due to the fixed nature of expenses associated with direct labor, equipment and infrastructure, we expect the cost per test will decrease over time as volume increases.

Research and Development Expenses

Research and development expenses represent costs incurred to develop new surveillance solutions as well as continued efforts related to our AlloMap test. These expenses include payroll and related expenses, consulting expenses, laboratory supplies, and certain allocated expenses as well as amounts incurred under certain collaborative agreements. Research and development costs are expensed as incurred. We record

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accruals for estimated study costs comprised of work performed by contract research organizations under contract terms. We expect our research and development expenses will increase in absolute dollars in future periods as we invest in research and discovery work to develop new surveillance solutions, as well as clinical outcomes studies for AlloMap.

Sales and Marketing Expenses

Sales and marketing expenses represent costs incurred to sell, promote and increase awareness of our AlloMap test to both clinicians and payers, including education of patients, clinicians and payers. Sales and marketing expenses include payroll and related expenses, educational and promotional expenses, and infrastructure expenses, including allocated facility and overhead costs. Compensation related to sales and marketing includes annual salaries and eligibility for quarterly or semi-annual commissions or bonuses based on the achievement of predetermined sales goals or other management objectives.

General and Administrative Expenses

General and administrative expenses include costs for our executive, finance, accounting and human resources functions. Costs consist primarily of payroll and related expenses, professional service fees related to billing and collection, accounting, legal and other contract and administrative services and related infrastructure expenses, including allocated facility and overhead costs. We expect to incur additional expenses as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the Securities and Exchange Commission and The NASDAQ Global Market, additional insurance expenses, investor relations activities and other administrative and professional services. We also expect our general and administrative expenses will increase in absolute dollars related to anticipated testing volume and collections growth.

Interest Expense, Net

Interest Expense, Net is associated with borrowings under our loan agreements.

Other (Expense) Income, Net

For the three and six months ended June 30, 2014, Other (Expense) Income, Net is primarily associated with the remeasurement of the estimated fair value of warrants to purchase shares of our convertible preferred stock which were converted to common stock warrants upon the closing of our initial public offering on July 22, 2014, and changes in the estimated fair value of derivative associated with our subordinated convertible debt. For the three and six months ended June 30, 2015, Other (Expense) Income, Net is primarily state franchise taxes.

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Results of Operations

Comparison of the Three Months Ended June 30, 2015 and June 30, 2014

(In thousands except for Allomap results)

	Three Months Ended June 30,	
	2015	**2014**
Allomap results delivered	3,259	3,024
Revenue:		
Testing revenue	$ 7,044	$ 6,710
Collaboration and license revenue	85	66
Total revenue	7,129	6,776
Operating expenses:		
Cost of testing	2,508	2,403
Research and development	2,510	792
Sales and marketing	2,526	1,610
General and administrative	2,329	2,316
Change in estimated fair value of contingent consideration	142	
Total operating expenses	10,015	7,121
Loss from operations	(2,886)	(345)
Interest expense, net	(256)	(644)
Other (expense) income, net	(43)	366
Loss before income taxes	(3,185)	(623)
Income tax benefit		1,500
Net (loss) income	$ (3,185)	$ 877

Testing Revenue

Testing revenue increased by $330,000 or 5%, for the three months ended June 30, 2015 compared to the same period of 2014. AlloMap test results delivered increased by approximately 235 or 8% for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014. The revenue mix changed such that a lower mix of test volume was recognized from payers from whom we recognize revenue on an accrual rather than a cash basis.

Collaboration and License Revenue

Collaboration and license revenue increased by approximately $19,000, or 29%, for the three months ended June 30,

2015 compared to the same period in 2014 primarily due to an increase in royalties of $30,000 from CardioDx partially offset by a reduction in other collaboration revenue.

Cost of Testing

Cost of testing increased by approximately $105,000, or 4%, broadly in line with an increase in testing revenue.

Research and Development

Research and development expenses increased by $1.7 million, or 217%, for the three months ended June 30, 2015 compared with the same period in 2014. The increase was primarily due to an increase in headcount related expenses of $0.6 million, increased expenditure of $0.2 million in the area of cell-free DNA technology, an increase in clinical trial expenses of $0.3 million and an increase in expenditure of $0.6 million in various research and development activities. We expect our research and development expenses will increase in absolute dollars in future periods as we invest in research and discovery work to develop our cell-free DNA technology, as well as clinical outcomes studies for new tests, if and when developed.

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Sales and Marketing

Sales and marketing expenses increased by approximately $0.9 million, or 57%, for the three months ended June 30, 2015 compared with the same period in 2014. The increase was primarily related to increased headcount and consulting expenses of $0.3 million, an increase of $0.3 million in marketing programs such as physician forums, speaker programs and advertising and $0.3 million in other marketing expenses as we ramp up our commercialization efforts . We expect sales and marketing expenses to increase in the future as we continue to expand our presence in the diagnostic surveillance market.

General and Administrative

General and administrative expenses were essentially flat for the three months ended June 30, 2015 compared with the same period of 2014 primarily due to a $0.4 million increase in headcount related costs, increased professional expenses of $0.2 million, partially offset by decreased legal and audit expenses of $0.6 million. We anticipate our general and administrative expenses will increase as we continue to operate as a public company.

Change in Fair Value of Contingent Consideration

The consideration for our business combination with ImmuMetrix, Inc. includes a future payment that is contingent upon the achievement of a specified milestone. We recorded a contingent consideration liability at its fair value in June 2014, at the acquisition date. We revalue our contingent consideration obligation each reporting period. Changes in the fair value of our contingent consideration obligation are recognized as a component of operating expense within our condensed statements of operations.

Interest Expense, Net

Interest Expense, Net decreased by $390,000 for the three months ended June 30, 2015 compared with the same period of 2014. Interest Expense, Net in the quarter ended June 30, 2015 reflects interest expense of $0.3 million from a term loan that the Company entered into in January 2015. Interest Expense, Net in the quarter ended June 30, 2014 reflects interest associated with the $5.0 million Illumina subordinated convertible note issued in April 2014 with interest at 8% and expenses associated with a previous term loan which had a higher effective interest rate and was subsequently paid off in January 2015.

Other (Expense) Income, Net

Other (expense) income, net for the three months ended June 30, 2015 was $43,000 as a result of state franchise taxes. We recorded other (expense) income, net of $0.4 million for the three months ended June 30, 2014 for the remeasurement of the estimated fair value of warrants to purchase shares of our convertible preferred stock of $0.3 million and $0.1 million for the derivative bifurcated from our Illumina debt. Upon our July 2014 IPO, the preferred stock warrants converted into common stock warrants and the then fair value of such warrants was reclassified to additional paid-in capital. The common stock warrants are not subject to remeasurement.

Income Tax Benefit

In conjunction with the acquisition of IMX a tax benefit of $1.5 million was recognized during the three months ended June 30, 2014. This benefit resulted from the expectation that amortization of the in-process technology acquired, when completed and placed in service, is not expected to be deductible for tax purposes, as the transaction was structured as a tax-free reorganization. Accordingly, a deferred tax liability was recorded at the acquisition date for the

difference between the financial reporting and tax basis of the acquired in-process technology. While the in-process technology is considered an indefinite lived intangible asset, this asset is expected to be amortized or impaired prior to the expiration of net operating loss carryforwards available to us.

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Comparison of the Six Months Ended June 30, 2015 and June 30, 2014

(In thousands except for Allomap results)

	Six Months Ended June 30, 2015	2014
Allomap results delivered	6,370	5,817
Revenue:		
Testing revenue	$ 14,139	$ 12,544
Collaboration and license revenue	205	156
Total revenue	14,344	12,700
Operating expenses:		
Cost of testing	5,218	4,565
Research and development	3,931	1,512
Sales and marketing	4,549	3,084
General and administrative	5,034	4,111
Change in estimated fair value of contingent consideration	(111)	
Total operating expenses	18,621	13,272
Loss from operations	(4,277)	(572)
Interest expense, net	(1,083)	(1,192)
Other (expense) income, net	(97)	(163)
Loss before income taxes	(5,457)	(1,927)
Income tax benefit		1,500
Net (loss) income	$ (5,457)	$ (427)

Testing Revenue

Testing revenue increased by $1.6 million, or 13%, for the six months ended June 30, 2015 compared to the same period of 2014. AlloMap test results delivered increased by approximately 550 or 10% for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014. The revenue mix changed such that a higher mix of test volume was recognized from payers from whom we recognize revenue on an accrual rather than a cash basis.

Collaboration and License Revenue

Collaboration and license revenue increased by $49,000 or 31%, for the six months ended June 30, 2015 compared to the same period in 2014 primarily due to $20,000 in increased revenue recognized from our collaboration with Diaxonhit and an increase in royalties of $62,000 from CardioDx, partially offset by decreases in collaboration

revenue of $31,000 and $2,000 from LabCorp and other collaborations, respectively.

Cost of Testing

Cost of testing increased by approximately $0.7 million or 14%, for the six months ended June 30, 2015 compared to the same period in 2014. The increase was primarily a result of increased expenditure on laboratory consumables of $0.3 million and increased headcount related costs of $0.6 million, partially offset by reduced royalty rates and therefore expenses of $0.2 million. We expect to see our cost of testing increase in absolute dollars as we expect test volumes to increase in the future.

Research and Development

Research and development expenses increased by $2.4 million, or 160%, for the six months ended June 30, 2015 compared with the same period in 2014. The increase was primarily due to an increase in headcount related expenses of $0.8 million, increased expenditure of $0.7 million in the area of cell-free DNA technology, an increase in facilities expense of $0.4 million, an increase in consulting expenses of $0.1 million and an increase in expenditure of $0.4 million in various research and development activities. We expect our research and development expenses will increase in absolute dollars in future periods as we invest in research and discovery work to develop our cell-free DNA technology, as well as clinical outcomes studies for AlloMap and new tests, if and when developed.

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Sales and Marketing

Sales and marketing expenses increased by approximately $1.5 million or 48%, for the six months ended June 30, 2015 compared with the same period in 2014. The increase was primarily related to increased headcount and consulting expenses of $0.6 million, and an increase of $0.5 million in marketing programs such as physician forums, speaker programs and advertising and $0.4 million in other marketing expenses as we ramp up our commercialization efforts. We expect sales and marketing expenses to increase in the future as we continue to expand our presence in the diagnostic surveillance market.

General and Administrative

General and administrative expenses increased by approximately $0.9 million, or 22%, for the six months ended June 30, 2015 compared with the same period of 2014, primarily due to a $0.9 million increase in head-count related costs, $0.3 million increase in expenses associated with being a public company, offset in part by decreased legal and recruiting costs of $0.3 million. We anticipate our general and administrative expenses will increase as we continue to operate as a public company.

Change in Fair Value of Contingent Consideration

The consideration for our business combination with ImmuMetrix, Inc. includes a future payment that is contingent upon the achievement of a specified milestone. We recorded a contingent consideration liability at its fair value in June 2014, at the acquisition date. We revalue our contingent consideration obligation each reporting period. Changes in the fair value of our contingent consideration obligation are recognized as a component of operating expense within our condensed statements of operations.

Interest Expense, Net

Interest Expense, Net decreased by $0.1 million for the six months ended June 30, 2015 compared with the same period of 2014. Interest Expense, Net in the quarter ended June 30, 2015 includes a loss on extinguishment of $0.6 million as the company paid off a previous term loan in January 2015, and interest expense of $0.4 million on the new term loan. Interest Expense, Net for the six months ended June 30, 2014 includes reflects interest associated with the $5.0 million Illumina subordinated convertible note issued in April 2014 with interest at 8% and expenses associated with a previous term loan which had a higher effective interest rate and was subsequently paid off in January 2015.

Other (Expense) Income, Net

Other (expense) income, net for the six months ended June 30, 2015 was $97,000 consisting primarily of state franchise taxes. We recorded other (expense) income, net of $0.2 million for the six months ended June 30, 2014 which consisted of $0.3 million of other (expense) income for remeasurement of the convertible preferred warrants, partially offset by $0.1 million of other income for remeasurement of the derivative associated with the Illumina subordinated convertible note.

Income Tax Benefit

In conjunction with the acquisition of IMX a tax benefit of $1.5 million was recognized during the six months ended June 30, 2014. This benefit resulted from the expectation that amortization of the in-process technology acquired, when completed and placed in service, is not expected to be deductible for tax purposes, as the transaction was structured as a tax-free reorganization. Accordingly, a deferred tax liability was recorded at the acquisition date for the

difference between the financial reporting and tax basis of the acquired in-process technology. While the in-process technology is considered an indefinite lived intangible asset, this asset is expected to be amortized or impaired prior to the expiration of net operating loss carryforwards available to us.

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Cash Flows for the Six Months Ended June 30, 2015 and 2014

The following table summarizes the primary sources and uses of cash for the periods presented:

(in thousands)	Six Months Ended June 30, 2015	2014
Net cash (used in) provided by:		
Operating activities	$ (2,747)	$ 1,033
Investing activities	(733)	(540)
Financing activities	3,943	2,251
Net increase in cash and cash equivalents	$ 463	$ 2,744

Operating Activities

Net cash provided by or used in operating activities consists of net income or loss, adjusted for certain non-cash items in the statements of operations and changes in operating assets and liabilities.

Cash used in operating activities for the six months ended June 30, 2015 was $2.7 million. The net loss of $5.5 million includes $1.3 million of net non-cash expenses, which primarily comprised of non-cash interest expenses of $0.4 million as a result of the non-cash portion of a loss on extinguishment from a previous debt and the issuance costs associated with new debt, stock-based compensation expense of $0.7 million, and depreciation and amortization of $0.4 million, partially offset by a revaluation gain of $0.1 million on a contingent consideration liability driven by a decrease in our stock price. A decrease in net operating assets of $1.4 million primarily comprised of a decrease in accounts receivable of $1.0 million as our reimbursement efforts improved over the six month period ended December 31, 2014, and increases in accounts payable and accrued and other liabilities of $0.2 million, an increase in payroll liabilities of $0.4 million as a result of employee bonuses, offset by increases in inventory, prepaid expenses and other assets of $0.2 million.

Net cash provided by operating activities for the six months ended June 30, 2014 was $1.0 million and reflected (i) the net loss of $0.4 million, (ii) net non-cash items using cash $0.6 million, including non-cash income tax benefit in conjunction with business combination of $1.5 million, partially offset by revaluation of warrants to estimated fair value of $0.3 million, amortization of debt discount and non-cash interest expense of $0.3 million and depreciation and amortization of $0.2 million, and (iii) a net cash inflow from changes in balances of operating assets and liabilities of $2.1 million. The most significant items comprising the changes in balances of operating assets and liabilities was an increase in unpaid deferred initial public offering costs of $1.9 million included in prepaid and other assets, offset by an increase in accrued and other liabilities of $2.1 million, primarily representing accrued initial public offering costs of $1.1 million, and increased professional fees of $0.7 million. Other significant items comprising the changes in balances of operating assets and liabilities were increased accounts payable of $1.1 million, increased royalties of $0.7 million and decreased accounts receivable of $0.5 million.

Investing Activities

During the six months ended June 30, 2015, net cash used in investing activities was $0.7 million for purchases of property and equipment. During the six months ended June 30, 2014 we used $0.5 million for investing activities,

primarily comprised of $0.4 million for our acquisition of ImmuMetrix and $0.2 million to purchase property and equipment.

We expect capital expenditures to increase modestly as we expand our research and discovery work to develop new transplant surveillance solutions. We believe that we are not currently capacity constrained and that our current facility can support a substantial increase in testing volume and support new surveillance solutions currently being developed.

Financing Activities

For the six months ended June 30, 2015, net cash provided by financing activities was $3.9 million and consisted primarily of $15.6 million in net proceeds received from a new term loan in January 2015, partially offset by the pay-off of a previous term loan of $11.3 million and $0.4 million of payments made on capital leases.

Net cash provided by financing activities for the six months ended June 30, 2014 of $2.3 million was primarily due to $5.0 million of proceeds from our subordinated convertible debt, net of issuance costs, partially offset by principal payments on our term debt of $1.8 million and payment of initial public offering costs of $0.9 million.

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Liquidity and Funding Requirements

Since our inception, substantially all of our operations have been financed through the issuance of our convertible preferred stock, the issuance of common stock in our July 2014 initial public offering, the incurrence of debt, and cash received from AlloMap testing revenues. Through June 30, 2015, we have received net proceeds of $151 million from the issuances of preferred stock, including preferred stock issued on conversion of promissory notes, $35.5 million from our initial public offering, $35.3 million in net proceeds from debt issuances including $5.0 million from a subordinated convertible note and approximately $146 million from AlloMap testing revenues. As of June 30, 2015, we had cash and cash equivalents of $36.9 million and $15.7 million of debt outstanding under our long-term debt and capital lease obligations.

On August 10, 2015, the Company filed a registration statement on Form S-3 with the Securities and Exchange Commission which will allow the Company to raise up to $75 million from the capital markets.

We plan to use the $35.5 million of net proceeds from our initial public offering and the $15.6 million in net proceeds from debt issuances as of June 30, 2015 for research and development, including research aimed at expanding the clinical utility of AlloMap and the development of new solutions for the surveillance of heart and kidney transplants, sales and marketing activities, general and administrative expenses and for working capital and other general corporate purposes. A portion of the net proceeds may also be used to acquire or invest in complementary businesses, technologies, services or products. We have no current agreements or commitments with respect to any such potential future acquisition or investment.

We currently anticipate that our cash and cash equivalents and projected cash receipts from AlloMap sales to customers will be sufficient to fund our operations for at least the next 18 months. We cannot be certain that any of our development of new transplant surveillance solutions will be successful or that we will be able to raise sufficient additional funds, if necessary, to see these programs through to a successful result.

Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risk and uncertainties, and actual results could vary as a result of a number of factors. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect.

Critical Accounting Policies and Significant Judgments and Estimates

Our management s discussion and analysis of our financial condition and results of operations is based on our unaudited condensed financial statements, which have been prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP. The preparation of these unaudited condensed financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unaudited condensed financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There have been no material changes in our critical accounting policies and estimates during the three and six months ended June 30, 2015, as compared to those disclosed in Management s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Significant Judgments and Estimates in our Annual Report on Form 10-K filed with the SEC on March 31, 2015.

The Company has issued warrants to purchase shares of its common stock in connection with the issuance of debt on January 30, 2015. The Company accounted for these warrants as equity at fair value on the date the warrants were issued. The fair value of the outstanding warrants was estimated using the Black-Scholes Option Pricing Model (the Black-Scholes Model). The Black-Scholes Model requires inputs such as the expected term of the warrants, expected volatility and risk-free interest rate. These inputs are subjective and require significant analysis and judgment to develop. For the estimate of the expected term, the Company used the full remaining contractual term of the warrant.

Factors Affecting Our Performance

The Number of AlloMap Tests We Receive and Report

The growth of our business is tied to the number of AlloMap tests we receive and report. Historically, less than two percent of tests received are not reported due to improper sampling or damage in transit or other causes. We incur costs of collecting and shipping all samples and a portion of the costs where we cannot ultimately issue a score report. As a result, the number of samples received largely directly correlates to the number of score reports.

How We Recognize Revenue

Medicare and certain other payers with agreed upon reimbursement rates and a predictable history of collections allows us to recognize the related revenue on an accrual basis. For the six months ended June 30, 2015 and 2014, 35% and 38%, respectively, of our revenue was

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recognized when cash was received. Until we achieve our revenue recognition criteria for a larger number of payers, we will continue to recognize a large portion of our revenue when cash is received. Because we often need to appeal prior to being paid for certain tests, it can take over a year for a test to result in revenue being recorded, and for a portion of our tests, we may never realize revenue.

Additionally, as we commercialize new products, we will need to achieve our revenue recognition criteria for each payer for each new product prior to being able to recognize the related revenue on an accrual basis. Because the timing and amount of cash payments received from payers is difficult to predict, we expect our revenue may fluctuate significantly in any given quarter. In addition, even if we begin to accrue larger amounts of revenue related to AlloMap, when we introduce new products, we do not expect we will be able to recognize revenue from new products on an accrual basis for some period of time.

Continued Adoption of and Reimbursement for AlloMap

Our reimbursement rate has steadily increased over time since the launch of AlloMap, as payers adopt coverage policies and fewer payers consider AlloMap as experimental and investigational. The rate at which our tests are covered and reimbursed has, and is expected to continue to vary by payer. As of June 30, 2015, we had been reimbursed for approximately 80% of AlloMap results delivered in the twelve months ended December 31, 2014. Reimbursement performance is reviewed using a lagging metric of six months as any period less than this is considered not to be reflective of future performance, as the reimbursement process can typically take six months or more to complete depending on the payer. Revenue growth depends on our ability to achieve broader reimbursement from third party payers, to expand the number of tests per patient and the base of ordering physicians.

Development of Additional Products

We rely on sales of AlloMap to generate the majority of our revenue. Our product development pipeline includes other surveillance solutions for organ transplant recipients to help clinicians make personalized treatment decisions throughout a transplant patient s lifetime. Accordingly, we expect to invest in research and development in order to develop additional products. Our success in developing new products will be important in our efforts to grow our business by expanding the potential market for our products and diversifying our sources of revenue.

Timing of Research and Development Expenses

Our spending on experiments may vary substantially from quarter to quarter. We also spend to secure clinical samples that can be used in discovery, product development, clinical validation, utility and outcome studies. The timing of these research and development activities is difficult to predict. If a substantial number of clinical samples are acquired in a given quarter or if a high-cost experiment is conducted in one quarter versus the next, the timing of these expenses can affect our financial results. We conduct clinical studies to validate our new products as well as on-going clinical and outcome studies to further the published evidence to support our commercialized AlloMap test. Spending on research and development for both experiments and studies, may vary significantly by quarter depending on the timing of these various expenses.

Contractual Obligations

During the six months ended June 30, 2015, there was a material increase in our contractual obligations and commitments. On January 30, 2015, we entered into a Loan and Security Agreement (the Loan Agreement) which provides a secured term loan facility in an aggregate principal amount of up to $20.0 million. We borrowed the first advance of $16.0 million (Draw A) on January 30, 2015. Under the terms of the Loan Agreement, following a six

month period from the closing date and until any time before December 31, 2015, the Company may, at its option, borrow from the lender a second advance of $4.0 million (Draw B), subject to the Company s satisfaction of certain conditions described in the Loan Agreement. Draw A was used to pay-off the Company s existing term debt of $11.3 million. Draw A and Draw B each bear interest at a daily floating rate equal to 2.00%, plus the greater of (i) 3.25% or (ii) the prime rate published by the lender.

The maturity date of the loan is December 1, 2018. Principal pay-down of the loan begins on January 1, 2016 with the loan being payable in 36 equal monthly installments. The principal pay-down of the loan may be delayed to July 1, 2016 with the loan being payable in 30 equal monthly installments, if on December 31, 2015, the Company has achieved certain net product revenue milestones as described in the Loan Agreement. There have otherwise been no material changes since our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 as filed with the Securities and Exchange Commission on March 31, 2015.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements.

JOBS Act Accounting Election

We are an emerging growth company, as defined in the Jumpstart Our Business startups Act of 2012, or the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

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Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. On July 9, 2015, the FASB decided to delay the effective date of the new standard by one year. The standard would become effective for us beginning in the first quarter of 2018. Early application would be permitted in 2017. Entities would have the option of using either a full retrospective or a modified retrospective approach to adopt this new guidance. The Company is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This guidance is applicable to the Company beginning January 1, 2016. However, early adoption of ASU 2015-03 is permitted and the Company adopted ASU 2015-03 as of January 1, 2015 using the retrospective method as required. Debt discount and issuance costs, current, as of June 30, 2015 and December 31, 2014 were $176,000 and $76,000, respectively. Debt discount and issuance costs, non-current, as of June 30, 2015 and December 31, 2014 were $215,000 and $11,000, respectively. There is no impact from the adoption of ASU 2015-03 on the unaudited condensed statements of operations or in the loss per share calculations.

In April 2015, the FASB issued ASU 2015-05 Intangibles Goodwill and Other Internal-Use Software (Subtopic 350-40) (ASU 2015-05). This ASU provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This ASU will be effective for annual periods, including interim periods beginning after December 15, 2015. Early adoption is permitted. An entity can elect to adopt the amendments either (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. For prospective transition, the only disclosure requirements at transition are the nature of and reason for the change in accounting principle, the transition method, and a qualitative description of the financial statement line items affected by the change. For retrospective transition, the disclosure requirements at transition include the requirements for prospective transition and quantitative information about the effects of the accounting change. The Company is currently evaluating the impact of adopting ASU 2015-05 on its financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business. These risks primarily relate to interest rates. We had cash and cash equivalents of $36.9 million at June 30, 2015, which consist of bank deposits and money market funds. Such interest-bearing instruments carry a degree of risk; however, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our unaudited condensed financial statements.

All of our revenues are recognized in U.S. dollars. Upfront payments received from the collaboration agreement in the European Union (see Note 8 to our unaudited condensed financial statements included in this Quarterly Report) were paid in foreign currency and converted to U.S. dollars. As a result, factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets will affect our financial results. Although the impact

of currency fluctuations on our financial results has been immaterial to date, there can be no guarantee the impact of currency fluctuations related to our international activities will not be material in the future.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), as of the end of the period covered by this report. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Based upon the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file and submit under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported as and when required and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely discussion regarding required disclosure. We believe

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the condensed financial statements included in this Form 10-Q for the quarter ended June 30, 2015 present, in all material respects, our financial position, statements of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three month period covered by this Quarterly Report on Form 10-Q that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently a party to any material legal proceedings that we believe are material to our business, financial condition or results of operations. We may from time to time become involved in legal proceedings arising in the ordinary course of business.

ITEM 1A. RISK FACTORS

We operate in a rapidly changing environment that involves a number of risks that could materially and adversely affect our business, financial condition, operating results or cash flows. For a detailed discussion of the risk factors that should be understood by any investor contemplating an investment in our stock, you should carefully consider the factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 as filed with the Securities and Exchange Commission on March 31, 2015, which is incorporated herein by reference. There have been no material changes from the risk factors previously disclosed in the Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Sales of Unregistered Securities

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits listed in the Exhibit Index to this Quarterly Report on Form 10-Q are incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CAREDX, INC.
(Registrant)

Date: August 12, 2015

By: /s/ Peter Maag
Peter Maag
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Kenneth E. Ludlum
Kenneth E. Ludlum
Chief Financial Officer
(Principal Accounting and Financial Officer)

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EXHIBIT INDEX

Exhibit Number	
31.1	Certification of Periodic Report by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Periodic Report by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document