

SECURITIES AND EXCHANGE COMMISSION

FORM SC 13G/A

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities by passive investors and certain institutions [amend]

Filing Date: **2006-05-08**
SEC Accession No. **0001306923-06-000038**

([HTML Version](#) on [secdatabase.com](#))

SUBJECT COMPANY

ARTHROCARE CORP

CIK: **1005010** | IRS No.: **943180312** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **SC 13G/A** | Act: **34** | File No.: **005-48581** | Film No.: **06817790**
SIC: **3845** Electromedical & electrotherapeutic apparatus

Mailing Address
*111 CONGRESS AVENUE
SUITE 510
AUSTIN TX 78701*

Business Address
*111 CONGRESS AVENUE
SUITE 510
AUSTIN TX 78701
(512) 391-3900*

FILED BY

Palo Alto Investors, LLC

CIK: **1306923** | IRS No.: **770558164** | State of Incorporation: **CA** | Fiscal Year End: **1231**
Type: **SC 13G/A**

Mailing Address
*470 UNIVERSITY AVE
PALO ALTO CA 94301*

Business Address
*470 UNIVERSITY AVE
PALO ALTO CA 94301
650-325-0772*

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
(Rule 13d-102)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b) (c) AND (d) AND AMENDMENTS THERETO FILED
PURSUANT TO RULE 13d-2(b)
(Amendment No. 1)*

Arthrocare Corp

(Name of Issuer)

Common Shares

(Title of Class of Securities)

(CUSIP Number)

May 08, 2006

(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- [] Rule 13d-1(b)
[X] Rule 13d-1(c)
[] Rule 13d-1(d)

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* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the

SCHEDULE 13G

CUSIP No.

Page 2 of 5 Pages

1. NAMES OF REPORTING PERSONS
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS

PALO ALTO INVESTORS

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) []
(b) []

3. SEC USE ONLY

4. Citizenship or Place of Organization
United States

5. SOLE VOTING POWER 1,144,973

NUMBER

SHARES

BENEFICIALLY OWNED BY 6. SHARED VOTING POWER

EACH

REPORTING

PERSON 7. SOLE DISPOSITIVE POWER

PERSON

8. SHARED DISPOSITIVE POWER

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

10. CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* []

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)
4.57%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IA

*SEE INSTRUCTIONS BEFORE FILLING OUT!

** See Item 4.

- Item 1(a). Name of Issuer: Arthrocare Corp
- Item 1(b). Address of Issuers's Principal: 111 Congress Avenue, Ste. 510
Executive Offices: Austin, TX 78701
- Item 2(a). Name of Person Filing: David Banerjee
Palo Alto Investors
- Item 2(b). Address of Principal Business Office or, if None, Residence: 470 University Avenue, Palo Alto
California 94301
- Item 2(c). Citizenship: U.S.A.
- Item 2(d). Title of Class of Securities: Common Shares
- Item 2(e). CUSIP Number:
- Item 3. IF THIS STATEMENT IS FILED PURSUANT TO RULE 13d-1(b) OR 13d-2(b) or (c), CHECK WHETHER THE PERSON FILING IS A:

(e) An investment adviser in accordance with 240.13-1(b)(10(ii)(E))
- Item 4. OWNERSHIP

(a) 1,144,973
(b) 4.57%
(c) (i) sole voting power: 1,144,973
(ii) shared voting power:
(iii) sole dispositive power:
(iv) shared dispositive power:
- Item 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS:
Not Applicable
- Item 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON:
Restated to reflect Holding of less than 5%
- Item 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY:

Not Applicable

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Item 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP:

Not Applicable

Item 9. NOTICE OF DISSOLUTION OF GROUP:

Not Applicable

Item 10. CERTIFICATION:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

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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: May 08, 2006

/s/ David Banerjee

Palo Alto Investors