

CHOLESTECH CORPORATION  
Form SC 13G  
July 28, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE  
COMMISSION**  
Washington, D.C. 20549  
**SCHEDULE 13G**

OMB APPROVAL  
OMB Number:  
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**Under the Securities Exchange Act of 1934  
(Amendment No. )\***

**Cholestech Corporation**

(Name of Issuer)

**Common Stock, no par value**

(Title of Class of Securities)

**170393102**

(CUSIP Number)

**July 18, 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)
- Rule 13d-1(c)
- Rule 13d-1(d)

\*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 the disclosures provided in a prior cover page.

The information required in 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 Notes).



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CUSIP No. 170393102

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only)  
Discovery Group I, LLC

2. Check the Appropriate Box if a Member of a Group (See Instructions)

Not Applicable

(a)   
(b)

3. SEC Use Only

4. Citizenship or Place of Organization  
Delaware

Number of  
Shares  
Beneficially  
Owned by  
Each  
Reporting  
Person With

5. Sole Voting Power  
None

6. Shared Voting Power  
780,569

7. Sole Dispositive Power  
None

8. Shared Dispositive Power  
780,569

9. Aggregate Amount Beneficially Owned by Each Reporting Person  
780,569

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)   
Not Applicable

11. Percent of Class Represented by Amount in Row (9)  
5.2%

12. Type of Reporting Person (See Instructions)  
OO

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CUSIP No. 170393102

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only)  
Daniel J. Donoghue

2. Check the Appropriate Box if a Member of a Group (See Instructions)

Not Applicable

(a)

(b)

3. SEC Use Only

4. Citizenship or Place of Organization  
U.S.A.

5. Sole Voting Power  
None

Number of  
Shares  
Beneficially  
Owned by  
Each  
Reporting  
Person With

6. Shared Voting Power  
780,569

7. Sole Dispositive Power  
None

8. Shared Dispositive Power  
780,569

9. Aggregate Amount Beneficially Owned by Each Reporting Person  
780,569

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)   
Not Applicable

11. Percent of Class Represented by Amount in Row (9)  
5.2%

12. Type of Reporting Person (See Instructions)  
IN

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CUSIP No. 170393102

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only)  
Michael R. Murphy

2. Check the Appropriate Box if a Member of a Group (See Instructions)

Not Applicable

(a)

(b)

3. SEC Use Only

4. Citizenship or Place of Organization  
U.S.A.

Number of Shares Beneficially Owned by Each Reporting Person With	5.	Sole Voting Power None
	6.	Shared Voting Power 780,569
	7.	Sole Dispositive Power None
	8.	Shared Dispositive Power 780,569

9. Aggregate Amount Beneficially Owned by Each Reporting Person  
780,569

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)   
Not Applicable

11. Percent of Class Represented by Amount in Row (9)  
5.2%

12. Type of Reporting Person (See Instructions)  
IN

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**Item  
1.**

- (a) Name of Issuer  
  
Cholestech Corporation
- (b) Address of Issuer's Principal Executive Offices  
  
3347 Investment Boulevard, Hayward, California 94545

**Item  
2.**

- (a) Name of Person Filing  
  
Discovery Group I, LLC ( **Discovery Group** )  
Daniel J. Donoghue, a Managing Member of Discovery Group  
Michael R. Murphy, a Managing Member of Discovery Group
- (b) Address of Principal Business Office or, if none, Residence  
  
Discovery Group, Mr. Donoghue, and Mr. Murphy are all located at:  
Hyatt Center, 24th Floor, 71 South Wacker Drive, Chicago, Illinois 60606
- (c) Citizenship  
  
Discovery Group is a Delaware limited liability company  
Mr. Donoghue and Mr. Murphy are U.S. citizens
- (d) Title of Class of Securities  
  
Common Stock, no par value
- (e) CUSIP Number  
  
170393102

**Item 3. If this statement is filed pursuant to §§240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:**

Not Applicable.

- (a)  Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).
- (b)  Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).
- (c)  Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).
- (d)  Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C 80a-8).
- (e)  An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E);
- (f)  An employee benefit plan or endowment fund in accordance with §240.13d-1(b)(1)(ii)(F);
- (g)

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A parent holding company or control person in accordance with § 240.13d-1(b)(1)(ii)(G);

- (h) o A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
  - (i) o A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
  - (j) o Group, in accordance with §240.13d-1(b)(1)(ii)(J).
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**Item 4. Ownership**

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

- (a) Amount beneficially owned:
- Discovery Group 780,569  
 Mr. Donoghue 780,569  
 Mr. Murphy 780,569

- (b) Percent of class:
- Discovery Group 5.2%  
 Mr. Donoghue 5.2%  
 Mr. Murphy 5.2%

The foregoing percentages are based on 14,892,870 shares of Common Stock of the Issuer identified in Item 1 outstanding as of May 31, 2006, as reported in the Issuer's Annual Report on Form 10-K for the fiscal year ended March 31, 2006.

- (c) Number of shares as to which the person has:
- (i) Sole power to vote or to direct the vote
- (ii) None  
 Shared power to vote or to direct the vote
- (iii) Discovery Group 780,569  
 Mr. Donoghue 780,569  
 Mr. Murphy 780,569  
 Sole power to dispose or to direct the disposition of
- (iv) None  
 Shared power to dispose or to direct the disposition of
- Discovery Group 780,569  
 Mr. Donoghue 780,569  
 Mr. Murphy 780,569

**Item 5. Ownership of Five Percent or Less of a Class**

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following .

Not Applicable

**Item 6. Ownership of More than Five Percent on Behalf of Another Person**

The shares reported herein have been acquired on behalf of discretionary clients of Discovery Group. Such discretionary clients are entitled to receive all dividends from, and proceeds from the sale of, those shares. None of those discretionary clients, to the knowledge of Discovery Group, Mr. Donoghue, or Mr. Murphy, has an economic interest in more than 5% of the class.

**Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company or Control Person**

Not Applicable

**Item 8. Identification and Classification of Members of the Group**



Not Applicable

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**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.

July 28, 2006  
Date

**DISCOVERY GROUP I, LLC**

/s/ Michael R. Murphy  
Signature

Michael R. Murphy, Managing Member  
Name/Title

/s/ Daniel J. Donoghue  
Signature

Daniel J. Donoghue  
Name/Title

/s/ Michael R. Murphy  
Signature

Michael R. Murphy  
Name/Title

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**Exhibit Index**

Exhibit 1 Joint Filing Agreement dated as of July 28, 2006, by and between Discovery Group I, LLC; Daniel J. Donoghue; and Michael R. Murphy.

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