

NATUS MEDICAL INC  
Form DEF 14A  
April 22, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14a**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

( )

Filed by the Registrant    Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement.

**Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2)).**

Definitive Proxy Statement.

Definitive Additional Materials.

Soliciting Material Pursuant to § 240.14a-12.

**NATUS MEDICAL INCORPORATED**  
**(Name of Registrant as Specified in its Charter)**

**(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)**

Payment of filing fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.;

(3) Filing Party:

(4) Date Filed:

Natus Medical Incorporated

**6701 Koll Center Parkway Suite 120**

**Pleasanton, CA 94566**

www.natus.com

**(925) 223-6700**

## **NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS**

### **TO OUR STOCKHOLDERS:**

The 2016 Annual Meeting of Stockholders of Natus Medical Incorporated will be held on Thursday, June 2, 2016, at 8:00 a.m., Pacific Time, at our Pleasanton, California offices located at 6701 Koll Center Parkway, Suite 120, Pleasanton, CA, 94566, for the following purposes:

1. To elect two directors to serve for a term of three years;
2. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2016;
3. Advisory approval of the Company's named executive officer compensation;
4. Transaction of such other business as may properly come before the meeting or any adjournment thereof.

We are using the Internet as our primary means of furnishing proxy materials to stockholders. Consequently, most stockholders will not receive paper copies of our proxy materials. We will instead send these stockholders a notice with instructions for accessing the proxy materials and voting via the Internet. The notice also provides information on how stockholders may obtain paper copies of our proxy materials if they so choose. These proxy materials were first sent on or about April 22, 2016 to stockholders entitled to vote at the annual meeting.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Stockholders who owned shares of our stock at the close of business on Friday, April 8, 2016, are entitled to attend and vote at the meeting. A complete list of these stockholders will be available during normal business hours for ten

Edgar Filing: NATUS MEDICAL INC - Form DEF 14A

days prior to the meeting at our headquarters located at 6701 Koll Center Parkway Suite 120, Pleasanton, CA, 94566. A stockholder may examine the list for any legally valid purpose related to the meeting. The list will also be available during the annual meeting for inspection by any stockholder present at the meeting.

Whether or not you plan to attend the Annual Meeting, please submit your proxy promptly by the Internet or by phone or by completing, dating, signing and returning the enclosed proxy card as promptly as possible in the accompanying reply envelope. If your shares are held in street name by a broker, trustee or other nominee and you do not instruct this nominee how to vote your shares; your shares will not be voted on any matter other than approval of appointment of our independent accountants.

For the Board of Directors of  
Natus Medical Incorporated

JAMES B. HAWKINS  
*Chief Executive Officer*  
Pleasanton, California  
April 22, 2016

**YOUR VOTE IS IMPORTANT**

**PLEASE SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE BY FOLLOWING  
THE INSTRUCTIONS ON THE ENCLOSED PROXY CARD**

PROXY STATEMENT

TABLE OF CONTENTS

<u>Notice of Annual Meeting of Stockholders</u>	i
<u>Internet Availability of Proxy Materials</u>	iii
<u>Questions and Answers about the Proxy Materials and the Annual Meeting</u>	1
<u>Proposal No. 1 – Election of Directors</u>	6
<u>Proposal No. 2 – Ratification of Appointment of Independent Registered Public Accounting Firm</u>	8
<u>Proposal No. 3 – Advisory approval of the Company’s Named Executive Officer compensation</u>	9
<u>Corporate Governance Principles and Board Matters</u>	10
<u>Board Independence</u>	10
<u>Board Structure and Committee Composition</u>	10
<u>Board of Directors’ Role in Risk Oversight</u>	12
<u>Policy for Director Recommendations and Nomination</u>	12
<u>Certain Relationships and Policies on Related Party Transactions</u>	13
<u>Compensation Committee Interlocks and Insider Participation</u>	14
<u>Communicating with our Board</u>	14
<u>Security Ownership of Certain Beneficial Owners and Management</u>	14
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	16
<u>Compensation Discussion and Analysis</u>	16
<u>General</u>	16
<u>Our Business and Our Compensation Philosophy</u>	17
<u>Elements of Compensation</u>	17
Cash Compensation Element	
<u>Equity-Based Compensation Element</u>	20
<u>Employment Agreements and Change in Control Arrangements</u>	21
<u>Other Benefits</u>	22
<u>Tax Deductibility of Executive Compensation</u>	22
<u>Summary Compensation Table</u>	23
<u>Grants of Plan Based Awards – Fiscal 2015<sup>2</sup></u>	24
<u>Outstanding Equity Awards at 2015 Fiscal Year-end</u>	24
<u>Option Exercises and Stock Vested – Fiscal 2015</u>	25

<u>Potential Payments Upon Termination or Change in Control</u>	25
<u>Director Compensation</u>	26
<u>Report of the Compensation Committee of the Board of Directors</u>	26
<u>Report of the Audit Committee of the Board of Directors</u>	27
<u>Other Matters</u>	28

## INTERNET AVAILABILITY OF PROXY MATERIALS

In accordance with U.S. Securities and Exchange Commission rules, we are using the Internet as our primary means of furnishing proxy materials to stockholders. Consequently, most stockholders will not receive paper copies of our proxy materials. We will instead send these stockholders a Notice of Internet Availability of Proxy Materials with instructions for accessing the proxy materials, including our proxy statement and annual report, and voting via the Internet. The Notice of Internet Availability of Proxy Materials also provides information on how stockholders may obtain paper copies of our proxy materials if they so choose. We believe this rule makes the proxy distribution process more efficient, less costly, and helps in conserving natural resources. If you previously elected to receive our proxy materials electronically, these materials will continue to be sent via email unless you change your election.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

***Q: Why am I receiving these materials?***

The Board of Directors (the “Board”) of Natus Medical Incorporated, (“Natus”, the “Company”, “we”, “our”), a Delaware corporation, is providing these proxy materials to you in connection with the annual meeting of stockholders that will take place on June 2, 2016. As a stockholder as of the record date, April 8, 2016, you are invited to attend the annual meeting, and are entitled, and requested, to vote on the items of business described in this proxy statement. We are distributing the proxy materials on or about April 22, 2016.

***Q: What information is contained in this proxy statement?***

The information included in this proxy statement relates to the proposals to be voted on at our annual meeting, the voting process, the compensation of executive officers and directors, and certain other required information.

***Q: How may I obtain a copy of the Natus Annual Report on Form 10-K?***

Stockholders may request a free copy of our 2015 Annual Report on Form 10-K from:

**Natus Medical Incorporated**

**Attn: Investor Relations**

**6701 Koll Center Parkway Suite 120**

**Pleasanton, CA 94566**

**(925) 223-6700**

Our 2015 Annual Report on Form 10-K is also available on our website at [www.natus.com](http://www.natus.com) and at the website of the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

We will also furnish any exhibit to our 2015 Annual Report on Form 10-K if specifically requested in writing.

***Q: What items of business will be voted on at the annual meeting?***

The following items will be voted on at the annual meeting:

• The election of two directors for a term of three years;

•



The ratification of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2016; and

•Advisory approval of the Company’s named executive officer compensation.

***Q: How does the Board recommend that I vote?***

Our Board recommends that you vote your shares “FOR” the nominees to the Board, “FOR” the ratification of KPMG  
A:LLP as our independent registered public accounting firm for the year ending December 31, 2016, and “FOR” the advisory vote on named executive officer compensation.

***Q: What shares can I vote?***

Each share of Natus common stock issued and outstanding as of the close of business on April 8, 2016, the *Record Date*, is entitled to be voted on all items being voted upon at the annual meeting. You may vote all shares owned by  
A: you as of that date, including (i) shares held directly in your name as the *stockholder of record*, and (ii) shares held by you as the *beneficial owner* through a broker, trustee, or other nominee, such as a bank. More information on how to vote these shares is contained in this proxy statement. On the *Record Date* we had approximately 33,697,411 shares of common stock issued and outstanding, and each outstanding share is entitled to one vote.

***Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?***

Rather than holding shares in their own name, as a stockholder of record, most Natus stockholders hold their shares  
A:beneficially through a broker, trustee or other nominee. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

**Stockholder of Record** - If your shares are registered directly in your name with our transfer agent, Wells Fargo Shareowner Services, you are considered, with respect to those shares, the stockholder of record. As the stockholder of record, you have the right to grant your voting proxy directly to Natus or to vote in person at the meeting. Voting instructions are provided online with the proxy materials and, if you are receiving a paper copy of the proxy materials Natus has enclosed a proxy card for you to use.

**Beneficial Owner** - If your shares are held in a brokerage account or by another nominee you are considered the *beneficial owner* of shares held *in street name*, and these proxy materials are being forwarded to you together with a voting instruction card by your broker, trustee or other nominee. As the beneficial owner, you have the right to direct your broker, trustee or nominee how to vote and are also invited to attend the annual meeting.

Since a beneficial owner is not the *stockholder of record*, you may not vote these shares in person at the meeting unless you obtain “legal proxy” from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting. Your broker, trustee or nominee has enclosed or provided voting instructions for you to use in directing the broker, trustee or nominee how to vote your shares.

**Q: *How can I vote my shares in person at the annual meeting?***

Shares held in your name as the stockholder of record may be voted in person at the annual meeting. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker, trustee or

**A:** nominee that holds your shares giving you the right to vote the shares. *Even if you plan to attend the annual meeting, you may also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the meeting.*

**Q: *How can I vote my shares without attending the annual meeting?***

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the meeting. If you are a stockholder of record, you may vote by submitting a proxy. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, trustee or other nominee. The Notice of Internet Availability of Proxy Materials provides

**A:** instructions on how to access your proxy card, which contains instructions on how to vote via the Internet or by telephone. For those stockholders who receive a paper proxy card, directions on how to vote are set forth below and included on your proxy card. For shares held beneficially in street name, the voting instruction card provided by your broker, trustee or other nominee will include instructions on how to vote by telephone, Internet or by mail.

**By Internet** – Stockholders of record of Natus common stock with Internet access may submit proxies by following the “Vote by Internet” instructions on their proxy cards. Most Natus stockholders who hold shares beneficially in street name may direct the voting of their shares by accessing the website specified on the voting instruction cards provided by their broker, trustee or other nominee. Please check the voting instruction card for Internet voting availability.

**By Telephone** – Stockholders of record of Natus common stock who live in the United States or Canada may submit proxies by following the “Vote by Phone” instructions on their proxy cards. Most Natus stockholders who hold shares beneficially in street name and live in the United States or Canada may direct the voting of their shares by phone by calling the number specified on the voting instruction card provided by their broker, trustee or other nominee. Please check the voting instruction card for telephone voting availability.

**By Mail** – Stockholders of record of Natus common stock may submit proxies by completing, signing and dating their proxy cards and mailing them in the pre-addressed envelope provided. Natus stockholders who hold shares beneficially in street name may vote by mail by completing, dating and signing the voting instruction cards provided and mailing them in the pre-addressed envelope provided to their broker, trustee, or other nominee.

***Q: Can I change my vote or otherwise revoke my proxy?***

**A:** You may change your vote at any time prior to the vote at the annual meeting. If you are the stockholder of record, you may change your vote by granting a new proxy bearing a later date (which automatically revokes your earlier proxy), by providing a written notice of revocation to our Corporate Secretary prior to your shares being voted, or by attending the annual meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, trustee or other nominee, or, if you have obtained a legal proxy from your nominee giving you the right to vote your shares, by attending the annual meeting and voting in person.

**Q: How many shares must be present or represented to conduct business at the annual meeting?**

Holdings of a majority of shares of our common stock issued and outstanding and entitled to vote as of the record date must be present in person or represented by proxy to meet the quorum requirement pursuant to the Company's Bylaws for holding the annual meeting and transacting business. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum.

**Q: How are votes counted?**

In the election of the director, you may vote "FOR," "AGAINST," or "ABSTAIN" with respect to the nominees. If you elect to abstain from the election of directors, the abstention will not have any effect on the election of directors. In tabulating the voting results for the election of directors, only "FOR" and "AGAINST" votes are counted.

You may also vote "FOR," "AGAINST," or "ABSTAIN" with respect to: (i) the ratification of the appointment of KPMG LLP as our independent registered public accounting firm, and (ii) the proposal to approve, on an advisory basis, the compensation of our named executive officers. If you elect to abstain from voting on any of these proposals, the abstention will have the same effect as an "AGAINST" vote with respect to such proposal.

If you are a stockholder of record and sign and return your proxy card or voting instruction form without giving specific voting instructions, your shares will be voted as recommended by our Board. If you are a beneficial holder and do not return a voting instruction form, your broker may only vote on the ratification of the appointment of KPMG LLP.

**Q: What is the voting requirement to approve each of the proposals?**

In an uncontested election of directors, such as this election, a director must be elected by the affirmative vote of a majority of the votes cast with respect to such director by the shares of common stock present in person or represented by proxy and entitled to vote. A "majority of votes cast" means that the number of votes "For" a director nominee must exceed the number of votes "Against" that director nominee. If you are a beneficial owner and do not provide the stockholder of record with voting instructions, your shares may constitute broker non-votes (see "What are broker non-votes and what effect do they have on the proposals?" below).

The affirmative vote of a majority of the shares of common stock present in person or represented by proxy and entitled to vote is required to approve each of the following proposals: (i) the ratification of the appointment of KPMG LLP as our independent registered public accounting firm, and (ii) the approval, on an advisory basis, of the compensation of our named executive officers.

**Q: What happens if a nominee who is duly nominated does not receive the required majority vote?**

Our Board Governance Guidelines provide that if a nominee for election to the Board had a greater number of votes "Against" than the number of votes cast "For" his or her election, such director shall tender his or her resignation from the Board and the Nominating and Governance Committee will determine the action to be taken with respect to such tendered resignation.

**Q: What are broker non-votes and what effect do they have on the proposals?**

Generally, broker non-votes occur when shares held by a broker, bank, or other nominee in "street name" for a beneficial owner are not voted with respect to a particular proposal because the broker, bank, or other nominee (i)

has not received voting instructions from the beneficial owner and (ii) lacks discretionary voting power to vote those shares with respect to that particular proposal.

A broker is entitled to vote shares held for a beneficial owner on “routine” matters, such as the ratification of the appointment of KPMG LLP as our independent auditors (Proposal 2), without instructions from the beneficial owner of those shares. On the other hand, absent instructions from the beneficial owner of such shares, a broker is not entitled to vote shares held for a beneficial owner on “non-routine” matters, such as the election of our directors (Proposal 1), or the vote, on an advisory basis, of the compensation of our named executive officers (Proposal 3). ***Thus, if you hold your shares in street name, it is critical that you cast your vote if you want it to count in the election of our directors (Proposal 1), and the advisory approval of the Company’s named executive officer compensation (Proposal 3).***

Broker non-votes are counted for purposes of determining whether or not a quorum exists for the transaction of business, but will not be counted for purposes of determining the number of shares represented and voted with respect to an individual proposal, and therefore will have no effect on the outcome of the vote on an individual proposal. Thus, if you do not give your broker specific voting instructions, your shares will not be voted on these “non-routine” matters and will not be counted in determining the number of shares necessary for approval.

***Q: Is cumulative voting permitted for the election of directors?***

A: Yes. Every stockholder voting to elect a director may cumulate such stockholder’s votes and give to one of the candidates to be elected a number of votes equal to the number of directors to be elected multiplied by the number of votes to which such stockholder is entitled, or distribute the stockholder’s votes on the same principle among as many candidates as the stockholder thinks fit, provided that votes cannot be cast for more than the number of directors to be elected. In their discretion, the proxy holders may, when voting for directors, cumulate the votes represented by the proxies received. No stockholder shall be entitled to cumulate votes for a candidate unless such candidate’s name has been properly placed in nomination prior to the voting and the stockholder, or any other stockholder, has given notice at the annual meeting, prior to the voting, of the intention to cumulate the stockholder’s votes. The holder may cast all of their votes “For” or “Against” a single candidate or may distribute them among any number of candidates.

***Q: What happens if additional matters are presented at the annual meeting?***

A: Other than the items of business described in this proxy statement, we are not aware of any other business to be acted upon at the annual meeting. If you grant a proxy using the enclosed form, the persons named as proxy holders, James B. Hawkins and Jonathan A. Kennedy will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If for any unforeseen reason either of our nominees is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates that may be nominated by the Board.

***Q: What should I do if I receive more than one set of voting materials?***

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive. A number of brokers with account holders who beneficially own our common stock will be “householding” our annual report and proxy materials, including the Notice of Internet Availability of Proxy Materials. A single Notice of Internet Availability of Proxy Materials and, if applicable, a single set of annual reports and other proxy materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that it will be “householding” communications to your address, “householding” will continue until you are notified otherwise or until you revoke your consent. Stockholders may revoke, or provide, their consent at any time by contacting Broadridge ICS, either by calling toll-free 800-542-1061, or by writing to Broadridge ICS, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. Upon such request, we will promptly deliver a separate copy of the annual report, Notice of Internet Availability of Proxy Materials and/or, as applicable, the proxy materials to any stockholder at a shared address to which we delivered a single copy of any of the materials.

Any stockholders who share the same address and currently receive multiple copies of our Notice of Internet Availability of Proxy Materials or annual report or other proxy materials who wish to receive only one copy in the future can contact their broker, trustee or other nominee to request information about householding.

***Q: How may I obtain an additional set of voting materials?***

If you wish to receive an additional set of proxy materials now or in the future, you may write us to request a separate copy of these materials from our principal executive offices at: Natus Medical Incorporated, Attn: Investor Relations, 6701 Koll Center Parkway Suite 120, Pleasanton, CA, 94566, or by calling us at (925) 223-6700.

***Q: Who will bear the cost of soliciting votes for the annual meeting?***

Natus is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for any

telephone charges you may incur. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by our directors, officers and employees who will not receive any additional compensation for such solicitation activities. Upon request, we will also reimburse brokerage houses and other custodians, nominees and fiduciaries for forwarding proxy and solicitation materials to stockholders.

***Q: Where can I find the voting results of the annual meeting?***

**A:** We intend to announce the final voting results of all proposals at the Annual Meeting and will publish the final results in a current report on Form 8-K within four business days of the date the Annual Meeting ends, unless final results are unavailable in which case we will publish the preliminary results in such current report on Form 8-K. If final results are not filed with our current report on Form 8-K to be filed within four business days of the date the Annual Meeting ends, the final results will be published in an amendment to our current report on Form 8-K within four business days after the final voting results are known.

***Q: What is the deadline to propose actions for consideration or to nominate individuals to serve as directors?***

**A:** Although the deadline for submitting proposals or director nominations for consideration at the 2016 annual meeting has passed, you may submit proposals and director nominations for consideration at future stockholder meetings.

Stockholder Proposals: For a stockholder proposal to be considered for inclusion in the Natus proxy statement for the annual meeting next year, the written proposal must be received by the Corporate Secretary of Natus at our principal executive offices no later than December 23, 2016. If the date of next year's annual meeting is moved more than 30 days before or after the anniversary date of this year's annual meeting, the deadline for inclusion of proposals in the Natus proxy statement is instead a reasonable time before we begin to print and mail our proxy materials. Such proposals also will need to comply with Securities and Exchange Commission regulations under Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Proposals should be addressed to: Natus Medical Incorporated, Attn: Corporate Secretary, 6701 Koll Center Parkway Suite 120, Pleasanton, CA 94566.

For a stockholder proposal that is not intended to be included in the Natus proxy statement under Rule 14a-8, the stockholder must provide the information required by, and give timely notice to the Corporate Secretary of Natus in accordance with, Section 2.3(b) of the Company's Bylaws. For the 2016 annual meeting of stockholders, any such notice must be received by the Company not later than the close of business on April 7, 2016, provided that if the date of the 2016 annual meeting is moved more than 30 days from the anniversary date of this year's meeting (which is the date contemplated in setting the notice provisions for the 2016 annual meeting) then such notice must be received a reasonable time before we begin the solicitation of proxies for the 2016 annual meeting.

Recommendation and Nomination of Director Candidates: The Nominating and Governance Committee will consider recommendations for candidates to be considered for nominations to the Board from stockholders who are entitled to vote in the election of directors at the annual meeting. A stockholder that desires to recommend a candidate for election to the Board should see the section entitled "Corporate Governance Principles and Board Matters; Policy for Director Recommendations and Nominations" below in this proxy statement.

A stockholder that instead desires to nominate a person directly for election to the Board must meet all of the deadlines and information requirements set forth in Section 2.3(c) of the Company's Bylaws and the rules and regulations of the Securities and Exchange Commission. For next year's annual meeting of stockholders, any such



nomination must be received by the Company not later than the close of business on December 23, 2016, provided that if the date of the 2016 annual meeting is moved more than 30 days from the anniversary date of this year's meeting, then such notice must be received a reasonable time before we begin the solicitation of proxies for the 2016 annual meeting.

If you would like a copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates, please contact the Corporate Secretary of Natus Medical Incorporated at our principal executive offices.

## PROPOSALS

The proposals being presented for shareholder action are set forth on your proxy card and are discussed in detail below. Shares that you have the power to vote that are represented by proxy will be voted at the meeting in accordance with your instructions.

### PROPOSAL NO. 1

#### ELECTION OF DIRECTORS

The Board is divided into three classes. Each class is elected for a term of three years, so that the term of one class of directors expires at each meeting. There are two nominees for election to the Board this year: James B. Hawkins and Robert A. Gunst. Information regarding the business experience and age as of the record date of each nominee and other members of the Board is provided below. If elected, each director will serve a three-year term until our annual meeting in 2019 and until his or her respective successor is elected. There are no family relationships among our executive officers and directors.

If you sign your proxy or voting instruction card but do not give instructions with respect to the voting of directors, your shares will be voted for the two persons recommended by the Board. If you wish to give specific instructions with respect to voting for directors, you may do so by indicating your instructions on your proxy or voting instruction card.

#### Majority Vote Standard for Election of Directors

Our Bylaws require directors to be elected by the majority of the votes cast with respect to such director in uncontested elections (number of shares voted "For" a director must exceed the number of votes "Against" that director). In a contested election (a situation in which the number of nominees for director exceeds the number of directors to be elected), the standard for election of directors will be a plurality of the shares represented in person or by proxy at any such meeting, in which a quorum is present, and entitled to vote on the election of directors. Under our Board Governance Guidelines, any director who fails to receive at least a majority of the votes cast in an uncontested election must tender his or her resignation to our Board. Our Nominating and Governance Committee would then evaluate the tendered resignation and make a recommendation to our Board within 90 days from the date the election results are certified whether to accept the resignation. Our Board will consider such recommendation promptly and publicly disclose its decision with respect to such resignation. The director who tenders his or her resignation will not participate in our Board's decision. If a nominee who was not already serving as a director does not receive at least a majority of the votes cast for such director at the annual meeting that nominee will not become a director.

## **Board of Directors' Recommendation**

**Our Board recommends a vote FOR the election to the Board of Mr. Hawkins and Mr. Gunst.**

## **Nominees for Election**

**James B. Hawkins**

**Chief Executive Officer**

**Director Since 2004**

**Age: 60**

James B. Hawkins has served as Chief Executive Officer, and as a member of the Board, since joining Natus in April 2004 and as President since June 2013. He previously served as President from April 2004 through January 2011. Since December 2015, he has served as a member of the board of directors of OSI Systems, Inc., and he has served as a member of the board of directors of El Dorado Resorts since September 2014. Mr. Hawkins has also served as a member of the board of directors of Iradimed Corporation since 2005. Iradimed has announced that Mr. Hawkins will not stand for re-election to their board at their annual meeting of stockholders, scheduled for June 10, 2016. Mr. Hawkins previously served as a director at IRIDEX Corporation from October 2007 until December 2014 and Digirad Corporation from April 2012 to October 2014. Prior to joining Natus, Mr. Hawkins was President, Chief Executive Officer and a director of Invivo Corporation, a developer and manufacturer of multi-parameter vital sign monitoring equipment, and its predecessor, from August 1985 through January 2004. He earned his undergraduate degree in Business Commerce from Santa Clara University and holds a Masters of Business Administration degree from San Francisco State University. Mr. Hawkins' brings to the Board highly relevant leadership experience in the medical technology industry as well as a unique perspective on our operations due to his position as our Chief Executive Officer.

**Robert A. Gunst**

**Chairman of the Board**

**Director Since 2004**

**Age: 67**

Mr. Gunst joined the Board in June 2004 and was appointed Chairman of the Board in September 2004. Mr. Gunst has been a private investor since 1999. Mr. Gunst served as president and chief executive officer of The Good Guys, Inc., an electronics retailer, from 1990 to 1999, and as a member of its board of directors from 1986 to 1999. Prior to joining The Good Guys, Mr. Gunst held senior management and director positions at Shaklee Corporation, La Petite Boulangerie, Inc. and PepsiCo Foods International, both subsidiaries of PepsiCo, Inc., Victoria Station Incorporated, and The First National Bank of Chicago. He holds a Bachelor of Arts degree in Economics from Dartmouth College and a Masters Degree in Business Administration from the University of Chicago's Graduate School of Business. Mr. Gunst brings to the Board knowledge and experience gained from decades of managing and directing public and private companies across several industries.

**Continuing Directors**

**Doris E. Engibous**

**Director since 2004**

**Age 61**

Ms. Engibous has served as a consultant and advisor to medical technology companies and executives since 2010. From 2004 to 2010, she served as President and CEO of Hemosphere, Inc., an early commercialization stage, venture capital funded, medical technology company, prior to its acquisition by CryoLife, Inc. (NYSE: CRY). Prior to 2004, Ms. Engibous served from 2000 through 2003 as President of Nellcor, a business of Tyco Healthcare Group/Tyco International, Ltd. (now Covidien/Medtronic, NYSE: MDT). Since 2015, Ms. Engibous has served on the board of directors of GI Supply, Inc., a family-owned medical technology company. Ms. Engibous served on the board of directors of the National Kidney Foundation serving Minnesota, the Dakotas and Iowa from 2006 to 2010. She holds a Bachelor of Science degree in Chemical Engineering from the University of Michigan. Ms. Engibous brings to the Board knowledge of organizational and operational management experience relevant to a public company in the healthcare industry.

**William M. Moore**

**Director Since 1989**

**Age: 66**

Mr. Moore currently is the Chief Executive Officer and President and Chairman of the board of directors of IRIDEX Corporation, a medical device company, and has served in that capacity, or as interim Chief Executive Officer and President, since August 2012. Mr. Moore has served as the Managing Partner of Alpine Partners LLC since May 2008 as well as from 2003 to 2004. From 2004 until May 2008 Mr. Moore was a special limited partner for medical technology at Blue Line Partners, a private equity firm. He also has served on the boards of directors of Criticare Systems, Inc. from 2006 until it was acquired by Opto Circuits (India) Limited in April 2008 and Urologix Inc. from 2008 until June 2010. Mr. Moore holds a Bachelor of Science degree in Business from the University of Utah. Mr. Moore brings to the Board more than 25 years of executive experience in the worldwide medical technology field, particularly in the areas of sales, marketing, and product development. Mr. Moore is one of our co-founders and resigned as CEO of the Company in 1992.

**Kenneth E. Ludlum**

**Director since 2002**

**Age 62**

Ken Ludlum currently serves a board member, has acted as an advisor to and investor in a number of private medical and biotechnology companies. Previously, he served as Chief Financial Officer of CareDx, Inc., a medical diagnostic company, from March 2014 to April 2016. From April 2011 to October 2013, Mr. Ludlum served as Vice President and Chief Financial Officer, and Head of Operations for Endogastric Solutions, Inc., a medical device company. Prior to that, Mr. Ludlum also served as CFO for two other publicly-held companies, Perclose, Inc. from 1995 to 2000, and Alteon, Inc. from 1992 to 1994. He has also served on the board of directors and as Chair of the Audit Committee of several public and private medical or biotechnology companies. Mr. Ludlum holds a B.S. in Business Administration from Lehigh University and a M.B.A. from Columbia University Graduate School of Business. Mr. Ludlum brings to the Board over 30 years of business and financial experience working with healthcare and biotechnology companies. His service as chief financial officer at several public companies has provided him with extensive financial and accounting experience, and knowledge of accounting principles, financial reporting rules, and regulations. With his background in investment banking, he also brings a unique perspective to the Board.

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has appointed KPMG LLP, an independent registered public accounting firm, to audit Natus' consolidated financial statements for the year ending December 31, 2016.

Stockholder ratification of the selection of KPMG LLP as our independent registered public accounting firm is not required by applicable law, our certificate of incorporation, our Bylaws or otherwise. However, the Board is submitting the selection of KPMG LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider retaining KPMG LLP. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of Natus and its stockholders.

Deloitte & Touche LLP served as Natus' independent auditor for the year ended December 31, 2013. On March 24, 2014, the Audit Committee dismissed Deloitte & Touche LLP as our independent registered public accounting firm.

The reports of Deloitte & Touche LLP on our consolidated financial statements for each of the years ended December 31, 2012 and 2013 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principle.

During the years ended December 31, 2012 and 2013, and the subsequent interim period through March 24, 2014, there were no disagreements between Natus and Deloitte & Touche LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Deloitte & Touche LLP, would have caused them to make reference to the subject matter of the disagreement in connection with their reports on the financial statements of the Company for such years.

None of the reportable events described in Item 304(a)(1)(v) of Regulation S-K occurred during the years ended December 31, 2012 and 2013 or during the subsequent interim period through March 24, 2014.

We requested that Deloitte & Touche LLP furnish us with a letter addressed to the Securities and Exchange Commission stating whether or not it agrees with the above statements. A copy of such letter, dated March 28, 2015, was filed as Exhibit 16.1 to our Form 8-K filed with the Securities and Exchange Commission on March 28, 2015.

On March 24, 2014, the Audit Committee of the Board of Natus appointed KPMG LLP as our new independent registered public accounting firm.

During the years ended December 31, 2012 and 2013, and the subsequent interim period through March 24, 2014, we did not consult with KPMG LLP regarding any of the matters or events set forth in Item 304(a)(2)(i) of Regulation S-K.

Representatives of KPMG LLP are expected to attend the annual meeting, where they are expected to be available to respond to appropriate questions and, if they desire, to make a statement.

Fees Paid to KPMG LLP and Deloitte & Touche LLP for 2015 and 2014, respectively

	2015	2014
Audit Fees <sup>(1)</sup>	\$1,591,504	\$1,350,750
Audit-Related Fees <sup>(2)</sup>	1,650	52,800
Tax Fees <sup>(3)</sup>	13,664	15,000
All Other <sup>(4)</sup>	15,000	1,650
Total	\$1,662,045	\$1,420,000

(1)

Audit fees associated with the annual audit of our consolidated financial statements, including \$70,541 and \$25,000 paid to Deloitte & Touche LLP for audit consents in 2014 and 2015, respectively.

(2)

Audit-related fees are fees associated with assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. This category includes primarily fees for assistance in financial due diligence and attestation services related to mergers and acquisitions.

(3)

Tax fees are fees associated primarily with tax advice and planning services.

(4)

Includes fees for online research tools and fees related to response to regulatory inquiries.

8



## Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

Our Audit Committee pre-approves all audit and permissible non-audit services provided by our independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally detailed as to the particular service or category of services and is generally subject to a specific budget. Our independent auditors and management are required to periodically report to the Audit Committee regarding the extent of services provided by our independent auditors in accordance with this pre-approval, and the fees for the services performed to date. Our Audit Committee may also pre-approve particular services on a case-by-case basis.

### Board of Directors' Recommendation

**Our Board recommends a vote FOR ratification of this appointment.**

If the appointment is not ratified, the Audit Committee will consider whether it should select other independent auditors.

## **PROPOSAL NO. 3**

### ADVISORY APPROVAL OF THE COMPANY'S NAMED EXECUTIVE OFFICER COMPENSATION

We are requesting your advisory approval of the compensation of our named executive officers as disclosed in "Compensation Discussion and Analysis," the compensation tables, and the related narrative discussion in the Proxy Statement. This non-binding advisory vote is commonly referred to as a "say-on-pay" vote.

Our Compensation Committee believes that the most effective executive compensation program is one that is designed to reward achievement and that aligns executives' interests with those of stockholders by rewarding performance, with the ultimate objective of improving stockholder value. The Committee also seeks to ensure that we maintain our ability to attract and retain superior employees in key positions and that the compensation provided to key employees remains competitive relative to the compensation paid to similarly situated executives of a selected group of our peer companies and the broader marketplace from which we recruit and compete for talent.

We are asking you to indicate your support for the compensation of our named executive officers as described in this Proxy Statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we are asking you to vote, on an advisory basis, FOR the following resolution at the Annual Meeting:

*“RESOLVED, that the compensation paid to the company’s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion set forth on pages 15 to 27 of this Proxy Statement, is hereby approved by shareholders.*

While the results of this advisory vote are not binding, the Compensation Committee will consider the outcome of the vote in deciding whether to take any action as a result of the vote and when making future compensation decisions for named executive officers.

Board of Directors’ Recommendation

**Our Board recommends a vote FOR the Advisory Approval of the Company’s Named Executive Officer Compensation.**

## CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

The Board believes that good corporate governance practices are essential to fostering good shareholder relations and creating shareholder value. The Board's corporate governance guidelines (which include director independence criteria), the charters of each of the Board's committees, our code of corporate conduct, and the Company's Code of Ethics are available on the Investor Relations pages of our website at [www.natus.com](http://www.natus.com). Shareholders may request copies of these documents free of charge by writing to Natus Medical Incorporated, Attn: Investor Relations, 6701 Koll Center Parkway Suite 120, Pleasanton, CA, 94566.

Natus is committed to having sound corporate governance principles. Having such principles is essential to running our business effectively and to maintaining our integrity in the marketplace. We continually review our governance practices to ensure their relevance and appropriateness for Natus and all of our shareholders.

### Board Independence

The Board has determined that, except for James B. Hawkins, our Chief Executive Officer, each of our current directors has no material relationship with Natus (either directly or as a partner, shareholder or officer of another organization that has a material relationship with Natus) and is independent within the meaning of the Nasdaq Stock Market ("Nasdaq") director independence standards. Furthermore, the Board has determined that each of the members of each of the committees of the Board has no material relationship with Natus (either directly or as a partner, stockholder or officer of an organization that has a material relationship with Natus) and is "independent" within the meaning of the Nasdaq director independence standards, including in the case of the members of the Audit Committee, the heightened "independence" standard required for such committee members set forth in the applicable SEC rules.

### Board Structure and Committee Composition

As of December 31, 2015, our Board had five directors divided into three classes with a three-year term for each class. As of December 31, 2015, the classes were comprised as follows:

Nominees for director whose terms will expire in 2016	Present directors whose terms will expire in 2017	Present directors whose terms expire in 2018
Robert A. Gunst	Kenneth E. Ludlum	Doris E. Engibous
James B. Hawkins		William M. Moore

We do not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as we believe it is in our best interests to make that determination based on the position and direction of the Company and the membership of the Board. The Board has determined that having an independent director serve as Chair is in the best interest of our stockholders at this time. This structure ensures a greater role for the independent members of the Board in the oversight of the Company and active participation of the independent directors in setting agendas and establishing Board priorities and procedures. Further, this structure permits our Chief Executive Officer to focus on the management of our day-to-day operations. The roles of Chief Executive Officer and Chairman of the Board have been separated since September 2004 when Mr. Gunst was appointed Chairman.

The Board has a standing Audit Committee, Compensation Committee, and Nominating and Governance Committee. The membership during the last year and the function of each of the committees are described below. Each of these committees operates under a written charter adopted by the Board. All of those committee charters are available on our Internet website at [www.natus.com](http://www.natus.com). The charters can be found in the “Governance” section of our “Investor” webpage. During 2015, each director attended at least 75% of all Board and applicable committee meetings.

Name of Director	Board	Audit	Compensation	<b>Nominating and Governance</b>
Non-Employee Directors				
Robert A. Gunst	X	X	X	X
Doris E. Engibous	X		X	X
Kenneth E. Ludlum*	X	X		X
William M. Moore	X	X	X	
Employee Director				
James B. Hawkins	X			
Number of Meetings in 2015	5	9	5	2

X  
= Committee Member

\* The Board has determined that Mr. Ludlum is an “audit committee financial expert” within the meaning of the rules promulgated by the Securities and Exchange Commission.

We encourage our directors to attend our annual meeting of stockholders and we typically hold a regularly scheduled meeting of our Board on the same day as the annual stockholders meeting. All of our directors attended the 2015 annual meeting of stockholders.

#### Audit Committee

Our Audit Committee oversees and monitors our financial reporting and disclosure processes, our financial statement audits, the integrity of our financial statements, the qualifications, independence and performance of our independent registered public accounting firm, and our internal accounting and financial controls. The Committee also pre-approves audit and non-audit services, reviews, approves and monitors our *Code of Business Conduct and Ethics* with respect to our Chief Executive Officer, Chief Financial Officer, and other senior financial officers, and establishes procedures for receiving and handling complaints regarding accounting, internal accounting controls, or auditing matters. The report of the Audit Committee for 2015 is included in this proxy statement.

## Compensation Committee

Our Compensation Committee has overall responsibility for approving and evaluating our executive officer compensation plans, policies and programs and for reviewing our general policies relating to compensation and benefits.

Under Delaware law the Compensation Committee has the ability to delegate powers to a subcommittee of its members. The Board may also delegate the right to grant certain equity awards to one or more officers of the Company, provided that such officer may not make awards to himself, and our Board has authorized our Chief Executive Officer to make aggregate grants not to exceed a specified threshold to employees who are not officers of Natus. Our Chief Executive Officer makes recommendations to the Compensation Committee regarding the compensation of our executive officers, and participates in the discussions of executive compensation other than the Compensation Committee's decision-making processes with respect to the Chief Executive Officer's compensation. Additional information about the Compensation Committee's use of consultants and its processes is provided below under "Compensation Discussion and Analysis."

## Nominating and Governance Committee

Our Nominating and Governance Committee is responsible for ensuring the Board is properly constituted to meet its fiduciary obligations to shareholders and that we have appropriate governance standards. The Committee assists the Board by identifying prospective director nominees and develops and recommends corporate governance principles and policies. The Nominating and Governance Committee also supervises the Board's annual review of director independence and the Board's performance self-evaluation.

## Board of Directors' Role in Risk Oversight

Management continually monitors the material risks we face, including financial risk, strategic risk, operational risk, and legal and compliance risk. The Board is responsible for exercising oversight of management's identification and management of, and planning for, those risks. In fulfilling this oversight role, the Board focuses on understanding the nature of our enterprise risks, including our operations and strategic direction, as well as the adequacy of our risk management process and overall risk management system. The Board performs these functions in a number of ways, including the following:

- At its regularly scheduled meetings, the Board receives management updates on our business operations, financial results and strategy, and discusses risks related to the business;

- Our Audit Committee assists the Board in its oversight of risk management by discussing with management our guidelines and policies regarding financial and enterprise risk management, including major risk exposures, and the steps management has taken to monitor and control such exposures; and

- Through management updates and committee reports, the Board monitors our risk management activities, including the enterprise risk management process, risks relating to our compensation programs, and financial and operational risks.

## Policy for Director Recommendations and Nominations

The Nominating and Governance Committee will consider Board candidates recommended by Board members, management, and security holders. Stockholders may submit their recommendations by confidential email to *BoardofDirectors@natus.com*; or mail to the Chair of our Nominating and Governance Committee, or to our Chairman of the Board, care of: Corporate Secretary, Natus Medical Incorporated, 6701 Koll Center Parkway Suite 120, Pleasanton, CA, 94566.

A stockholder seeking to recommend a nominee to the Nominating and Governance Committee should provide the information required by our Bylaws for stockholders directly nominating a person for election as a director at a stockholders' meeting.

Our Bylaws also contain procedures by which stockholders may submit nominations for election at the Annual Meeting of Stockholders. Stockholders may receive a copy of our Bylaws by making a written request to the Secretary of the Company. We did not receive any recommendations for nominees from stockholders for consideration in this Proxy Statement.

Listed below are the minimum qualifications that the Nominating and Governance Committee believes must be met by all Board nominees:

Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the stockholders. They must also have an inquisitive and objective perspective, practical wisdom, and mature judgment. We endeavor to have a Board representing diverse experience at policy-making levels in business, health care, and technology, and in areas that are relevant to our global activities;

Directors must be willing and able to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. Directors should not serve on more than four other boards of public companies in addition to the Natus Board; and

Director nominees must have demonstrated a history of good business judgment, and possess financial and governance literacy. They must have the experience and the value-adding temperament to be good outside directors of a public company.



The following are specific qualities or skills that the Nominating and Governance Committee believes are necessary for one or more of the Company's directors to possess:

- Experience as an independent director of a publicly-traded company;
- Proven ability to understand the dynamic between management and Board members, and to effectively manage that dynamic for the benefit of the Company;
- Experience with Wall Street, transactions, and managing operations; and
- Some understanding of the medical device market.

Members of the Nominating and Governance Committee will use their professional contacts to identify nominees. If necessary, outside recruiters will also be used. The Chair of the Nominating and Governance Committee will collect and organize the data on potential nominees, and with the help of the Secretary of the Company will undertake initial due diligence evaluation into nominee qualifications and background. Members of the Nominating and Governance Committee, as well as the Chairman of the Board and all Board members, will interview those candidates that are nominated by the Committee. The full Board votes to approve nominees after considering the recommendation of the Nominating and Governance Committee.

While we do not have a formal policy with regard to the consideration of diversity in identifying director nominees, the Nominating and Governance Committee strives to nominate directors with a variety of complementary skills so that, as a group, the Board will possess the appropriate talent, skills, and expertise to oversee our business.

#### Certain Relationships and Policies on Related Party Transactions

The Company has adopted and maintains a Code of Business Conduct and Ethics (the "Code") that applies to all members of the Company's Board, all executive officers of the Company, and to all other persons who are employees of the Company. This Code covers matters that the Company believes are supportive of high standards of legal and ethical business conduct, including those relating to fair dealing with those with whom the Company does business, the avoidance of conflicts of interest, confidentiality, the protection of corporate assets, special obligations applicable to those involved in our financial reporting, the Company's obligation to make full, fair, accurate and timely disclosure in its filings with the Securities and Exchange Commission and in other public communications, compliance with laws, insider trading, and the reporting of violations of the Code. The Code can be found at the Company's website, [www.natus.com](http://www.natus.com), under "Investors/Governance/Governance Policies."

The Code does not distinguish between potential conflict of interest transactions with executive officers or directors and those with other employees. It notes that all covered persons must avoid situations where their interests conflict, or would appear to conflict, with those of the Company. The Code notes that it is not possible to list all types of conflict situations, but provides examples of several types of scenarios that would involve a conflict of interest, including:

- Use of Company property
- Dealings with customers and suppliers
- Interests in or relationships with other companies
- Dealings with relatives
- Reporting obligations
- Loans

The Code requires that covered persons report to the Company's Chief Executive Officer any ownership interest or other relationship that might affect their ability to exercise impartial, ethical judgments. The Code does not expressly set forth the standards that would be applied in reviewing or approving transactions in which directors or executive officers of the Company have a material interest. In general, any such transactions that are so identified would be submitted for approval to the Audit Committee of the Board, which is authorized by the Charter of the Audit Committee to review related party transactions. The Company expects that in reviewing, and potentially approving, any such transactions, that the Audit Committee would be provided with all material facts relative to the proposed transaction, the nature and extent of the director's or executive officer's interest in the transaction, and the terms upon which the products, services or other subject matter of the transaction could be provided by alternative sources. The Company further expects that any such transaction would be approved only if the Audit Committee determined that it was in the interest of the Company to proceed with it. The Company expects that pre-approval would be sought for any such transaction whenever practicable, and if pre-approval is not obtained, any such transaction would be submitted for ratification as soon as practicable.

## Policy on Hedging Transactions

Our insider trading policy generally prohibits insiders, as defined in the policy, from pledging shares of our common stock, engaging in short sales of our common stock, or any hedging of their ownership of our common stock.

## Compensation Committee Interlocks and Insider Participation

Our Compensation Committee consists of Mr. Moore, Ms. Engibous and Mr. Gunst. Mr. Moore served as our Chief Executive Officer 23 years ago, from April 1989 to May 1992.

## Communicating with our Board of Directors

Any stockholder of Natus or any other party interested in communicating with the Board may contact any of our directors by writing to them c/o Natus Medical Incorporated, 6701 Koll Center Parkway, Suite 120, Pleasanton, CA, 94566. Stockholders may also communicate with the Board on a confidential basis by sending an email to *BoardofDirectors@natus.com*. The Nominating and Governance Committee has approved a process for handling stockholder communications received by the Company. Under that process, the Corporate Secretary may review all stockholder communications and has the authority to disregard any communications that are inappropriate or irrelevant to Natus and its operations, or to take other appropriate actions with respect to such communications.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information, as of December 31, 2015, concerning:

- Beneficial owners of more than 5% of Natus common stock;
- Beneficial ownership by current Natus directors and nominees, and the named executive officers set forth in the “Summary Compensation Table”; and
- Beneficial ownership by all current Natus directors and executive officers as a group.

The information provided in the table is based on Natus' records, information filed with the Securities and Exchange Commission and information provided to Natus, except where otherwise noted.

The number of shares beneficially owned by each entity, person, director or executive officer is determined under rules of the Securities and Exchange Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has the sole or shared voting power or investment power and also any shares that the individual has the right to acquire within 60 days of the record date through the exercise of any stock option or other right. The address for those individuals for which an address is not otherwise provided is c/o Natus Medical Incorporated, 6701 Koll Center Parkway Suite 120, Pleasanton, CA 94566. Unless otherwise indicated, each person has sole voting and investment power (or shares such powers with his or her spouse) with respect to the shares set forth in the following table. For each individual and group included in the table below, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of the 33,697,411 shares of common stock outstanding on April 8, 2016, plus the number of shares of common stock that such person or group had the right to acquire on or within 60 days after December 31, 2015.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Name and Address of Beneficial Owner	Shares Beneficially Owned	Right to acquire beneficial ownership under options exercisable within 60 days	Total Beneficially Owned	Percent of Class
Principal Stockholders				
BlackRock, Inc. 55 East 52nd Street New York, NY 10055 <sup>(1)</sup>	3,276,468	—	3,359,844	10.1 %
Eagle Asset Management, Inc. 880 Carillon Parkway St. Petersburg, Florida, 33716 <sup>(2)</sup>	3,140,847	—	3,140,847	9.51 %
Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355 <sup>(3)</sup>	2,456,284	—	2,529,501	7.66 %
Directors, Nominees and Named Executive Officers				
Mr. Noll <sup>(4)</sup>	57,934	16,208	74,142	*
Dr. Chung <sup>(5)</sup>	123,043	42,750	165,793	*
Ms. Engibous <sup>(6)</sup>	13,250	23,000	36,250	*
Mr. Gunst <sup>(6)</sup>	50,000	23,000	73,000	*
Mr. Hawkins <sup>(7)</sup>	374,874	306,250	681,124	2.1 %
Mr. Ludlum <sup>(6)</sup>	86,950	13,000	99,950	*
Mr. Moore <sup>(6)</sup>	118,462	18,000	136,462	*
Mr. Kennedy <sup>(8)</sup>	74,000	13,334	87,334	*
Mr. Traverso <sup>(5),(9)</sup>	95,672	102,792	198,464	*
Officers and Directors as a group <sup>(10)</sup>	994,185	558,334	1,552,519	4.8 %

\*

Represents holdings of less than one percent.

(1)

Edgar Filing: NATUS MEDICAL INC - Form DEF 14A

Based on information reported on Schedule 13-G/A filed with the Securities and Exchange Commission on April 8, 2016 by BlackRock, Inc. (“BlackRock”). BlackRock is a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G) of the Securities Exchange Act of 1934. BlackRock has sole voting power with respect to 3,276,468 of the shares and sole dispositive power with respect to all of the shares. The Schedule 13-G/A states that the following subsidiaries of Blackrock acquired the securities reported on the schedule: BlackRock Advisors (UK) Limited; BlackRock Advisors, LLC; BlackRock Asset Management Canada Limited; BlackRock Asset Management Ireland Limited; BlackRock Fund Advisors; BlackRock Institutional Trust Company, N.A.; BlackRock International Limited; BlackRock Investment Management (Australia) Limited; BlackRock Investment Management (UK) Ltd; BlackRock Investment Management, LLC; and BlackRock Japan Co Ltd. The Schedule 13-G/A indicates that BlackRock Fund Advisors beneficially owns 5% or greater of the outstanding shares of our common stock.

(2)

Based on information reported on Schedule 13-G filed with the Securities and Exchange Commission on January 25, 2016 by Eagle Asset Management, Inc. (“Eagle”). Eagle has sole voting and dispositive power with respect to all of the shares.

(3)

Based on information reported on Schedule 13-G/A filed with the Securities and Exchange Commission on February 10, 2016 by The Vanguard Group, Inc. (“Vanguard”). Vanguard is an investment advisor in accordance with Rule 13d-1(b)(1)(ii)(E) of the Securities Exchange Act of 1934. Vanguard reported that it has sole power to vote or direct the vote of 73,217 shares that it beneficially owns, has sole power to dispose or to direct the disposition of 2,456,284 shares and has shared power to dispose or to direct the disposition of 75,817 shares. Vanguard further reported that (a) Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard, is the beneficial owner of 70,617 shares, or 0.21%, of our common stock as a result of its serving as investment manager of collective trust accounts and (b) Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 4,800 shares, or 0.1%, of our common stock as a result of its serving as investment manager of Australian investment offerings.

(4)

Includes 37,750 shares subject to a right of repurchase by the Company that expires as to 15,750 shares in 2016, 13,250 shares in 2017, 5,625 shares in 2018, and 3,125 shares in 2019.

(5)

Includes 24,250 shares subject to a right of repurchase by the Company that expires as to 10,750 shares in 2016, 7,750 shares in 2017, 3,750 shares in 2018, and 2,000 shares in 2019.

(6)

Includes 3,250 shares subject to a right of repurchase by the Company that expires in 2016.

(7)

Includes 190,500 shares subject to a right of repurchase by the Company that expires with respect to 66,250 shares in 2016, 71,500 shares in 2017, 33,250 shares in 2018, and 19,500 shares in 2019.

(8)

Includes 74,000 shares subject to a right of repurchase by the Company that expires as to 25,000 shares in 2016, 32,000 shares in 2017, 11,000 shares in 2018, and 6,000 shares in 2019.

(9)

Includes 34,250 shares subject to a right of repurchase by the Company that expires as to 14,000 shares in 2016, 12,000 shares in 2017, 5,375 shares in 2018, and 2,875 shares in 2019.

(10)

Includes all shares referenced in notes 3 through 8 above.

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and holders of more than 10% of our common stock to file with the Securities and Exchange Commission reports regarding their ownership and changes in ownership of our securities. We believe that, during fiscal 2015, our directors, executive officers and 10% stockholders complied with all Section 16(a) filing requirements, except as described at the end of this paragraph. In making this statement, we have relied upon examination of the copies of Forms 3, 4 and 5, and amendments thereto, provided to us, and the written representations of our directors, executive officers and 10% stockholders.

## COMPENSATION DISCUSSION AND ANALYSIS

### General



Our executive compensation program is designed to:

- attract and retain individuals with the skills and performance needed to achieve our business objectives
- reward and incentivize individuals fairly over time
- align the short and long-term compensation of those individuals with the Company's performance

## **Executive Summary**

2015 was an excellent year for Natus. We continued to maintain leadership positions in our worldwide Neurodiagnostic and Newborn Care markets. We significantly expanded our service offerings during the year. We grew the number of hospitals using our Peloton Hearing Screening service by 77% to 92. We entered the mobile EEG service business during 2015 with our acquisition of Global Neurodiagnostics (GND) and continued to expand the service in the United States. We doubled the number of hospitals using our Nicview video streaming service to over 80. We believe that these new service initiatives will continue to drive future growth for Natus.

Our 2015 non-GAAP financial results set a number of records for Natus. Annual revenue grew by 5.6% to \$375.9 million, our non-GAAP gross margins grew to 62.6% and our non-GAAP operating margin grew to 19%. We generated \$36.9 million in cash flow from operations and returned \$11.5 million or 31% of this cash to shareholders in the form of share repurchases.

For a reconciliation of the adjustments to comparable financial measures calculated in accordance with U.S. GAAP, please see Exhibit A. The non-GAAP financial information included on Exhibit A has been provided in order to show investors how our Compensation Committee views the Company's performance as it relates to the compensation program for our executive officers.

At our annual meeting in 2015, approximately 98% of the stockholders who voted on our 2015 Say on Pay proposal voted in favor of the proposal. This percentage of approval was slightly above the results of the prior year. Considering this outcome, the Compensation Committee has determined that it would continue to apply the same philosophy and guiding principles to the 2016 compensation for the Company's named executive officers, and, as a result, did not change the structure of our executive compensation for 2016.

## **Our Business and Our Compensation Philosophy**

We believe that opportunities exist for us to increase stockholder value by increasing the revenue base of the Company, and by doing so the income earning capacity of our company. We seek growth through organic growth involving, primarily, the introduction of existing products into new markets and the internal development of new products, as well as via acquisitions of complementary products and businesses. Our business plans challenge our executives to seek growth through both of these means, and we expect over time to achieve a higher level of overall growth than could be achieved through either method alone. Further, we expect our business, including the businesses that we acquire, to be operated efficiently so that earnings can grow as we increase revenue.

Pursuit of this business model is demanding on our executives. They must implement efforts to enhance sales opportunities of existing products, oversee effective and efficient new product development and enhancements, successfully identify and complete the acquisition of complementary products and businesses and integrate these operations with our existing businesses, as well as conduct our business in an efficient manner.

In consideration of these factors, the primary objectives of our executive compensation are:

*Retain Qualified Executive Talent.* During the period from 2003 to 2016 we have substantially increased the size of our company. In this time period we have completed 25 acquisitions of companies with principal offices in six different countries. We believe that maintaining continuity within our executive team has contributed significantly to our ability to achieve this growth. Our business is competitive and our headquarters is in an area where there is significant competition for executive talent. In light of these factors, a key objective of our compensation is to allow us to retain qualified executives.

*Attract Qualified Executives.* We understand that we may find it in our interests to, or may be required to, add new individuals to our executive team from time to time. For us to be appropriately positioned to attract new talent as needed, we must be prepared to, and be perceived as an employer that is willing to, offer competitive compensation.

*Link Compensation to Achievement of Our Business Objectives.* We believe that a significant portion of the current period cash compensation that our executives are eligible to receive should be tied to attainment of goals that our Compensation Committee has determined are most capable of increasing stockholder value for the Company. Beginning with 2012, our annual bonus plan has been tied to earnings and revenue goals and key business objectives.

*Provide Direct Incentives for the Enhancement of Stockholder Value Over the Long Term.* The effectiveness of our management in operating our business has a strong influence on the value of our common stock over time. We believe that our executives should be positioned to share, with our stockholders, in the gains and losses from changes in the value of our common stock over time and that this form of compensation will further motivate our executives to seek to increase long-term stockholder value.

## **Elements of Compensation**

Our executive officers' compensation currently has two primary elements of compensation: (i) cash compensation in the form of salary and annual incentive awards, and (ii) equity awards in the form of stock option grants and restricted stock awards. In addition, we provide our executive officers with benefits that are available generally to all salaried employees.

We believe that we would impair our ability to retain our executives or, as required, attract new executives if we did not offer a competitive salary. As such, our goal is to provide salaries that are sufficient to make us reasonably confident of our ability to retain our executive team without overpaying. We further believe that a substantial portion of the cash compensation that our executives are eligible to receive should be directly tied to corporate performance. We believe that our annual business plans represent reasonably challenging targets. Our long-term equity-based incentive awards are designed to provide a competitive compensation package and to motivate our executives to increase stockholder value.

In establishing compensation, we take into account the compensation that is payable by companies that we believe to be our competitors and by other companies with which we believe we generally compete for executives. To this end, our Compensation Committee works with management and an outside compensation consultant, Willis Towers Watson (which was the product of the January 2016 merger of Willis Group Holdings with Towers Watson, the Compensation Committee's consultant in prior years), to define the criteria used to identify appropriate market comparisons for establishing compensation levels and the mix of salary, incentive compensation, and equity compensation. When determining our peer companies, we focus on identifying companies with whom we compete directly for customers and employees, as well as other medical device companies in the United States. In addition, we select companies that are similar to our size, limiting the peer group to companies whose trailing twelve-month revenue is generally within a range of approximately 0.5x to 2.0x of our projected annual revenue.

Each year the Compensation Committee considers whether it is necessary to have a formal report produced by a compensation consultant for all of the peer group companies. In the years a formal report is not produced, the Compensation Committee directs the consultant to review, for the peer companies in the prior report, the compensation changes reported by these peers in the following year to help the Committee arrive at compensation levels relative to the peer group that are consistent with our goals. Our Compensation Committee requested and received a formal report from our consultant, Willis Towers Watson, to assist it in its deliberations for 2015 cash compensation. The peer companies used in that report were: Abaxis; ABIOMED, Inc.; Accuray; Analogic; AngioDynamics; Cyberonics; ICU Medical; Masimo Corporation; Merit Medical Systems, Inc.; NuVasive, Inc.; Nxstage Medical, Inc.; Omnicell; Volcano and The Spectranetics Corporation. The peer group was revised from the previous year group with the assistance of Willis Towers Watson in establishing compensation because one company was acquired (AthroCare Corp.) and another was added (The Spectranetics Corporation) to the peer group based on the criteria described above. For the purpose of establishing competitive compensation ranges for elements of compensation, Willis Towers Watson considered the most recently reported compensation information for the peer group companies as well as the applicable compensation survey information based on our size and industry. In addition to the reports from Willis Towers Watson, in determining the compensation of each of our executive officers other than that the Chief Executive Officer, our Compensation Committee considers the recommendations of the Chief Executive Officer.

Willis Towers Watson has worked directly with the Compensation Committee (and not on behalf of management) to assist the Compensation Committee in satisfying its responsibilities and will undertake no projects for management except at the request of our Compensation Committee chair and in the capacity of our Compensation Committee's agent. To date, Willis Towers Watson has not undertaken any projects for management or for the Company other than advising the Compensation Committee with respect to compensation matters. The Compensation Committee has concluded that none of Willis Towers Watson's work to date has raised any conflicts of interest that will prevent Willis Towers Watson from being independent consultants to the Compensation Committee.

We view the cash and equity elements of compensation as distinct. We think that each of these main components must be perceived by our executives as largely competitive with the corresponding compensation element paid by our peer companies. While we view cash and equity elements of compensation as distinct, we do link these two components of compensation insofar as it is our goal to establish aggregate cash and equity compensation that is near the median of our peer group, assuming achievement of target level of performance, with the understanding that we may from time to time elect to provide compensation above this level in connection with the hiring of a new executive if we determine that it is necessary to provide compensation at this level to attract an executive with skills and experience we desire.

Because we seek to provide cash compensation that our executives regard as competitive with relevant market conditions, when setting salaries and aggregate cash compensation we are mindful of the corresponding amounts of cash consideration of our peer group. However, we may set an individual officer's salary and target bonus above or below median levels of our peer group, as determined to be appropriate by the Compensation Committee. We believe that this approach is sufficient to achieve our retention goals. For the achievement of performance goals above plan, our executives can earn aggregate cash consideration that is substantially above the median level of the peer group. We believe that this is appropriate because we adopt business plans that are a challenge for us to attain, and we believe

that if our executives exceed the demanding targets in these plans they should be eligible to receive higher levels of compensation.

We view our compensation decisions as an exercise in paying competitive compensation, with desired performance goals, on an annual basis. Our cash compensation is not tied to performance beyond one year. Our equity awards vest over a period of time, and as such are impacted by the value of our common stock over the vesting period of the restricted stock. We do not take account of prior wealth accumulation by our executives from the receipt of cash on exercise or vesting of equity awards as we do not believe these prior period returns provide a significant motivation or retention benefit in the current period. Further, we do not set the compensation of our executives at any multiple or ratio to the compensation of other executives or employees. Our Compensation Committee has not adopted any formal or informal policies or guidelines for allocating compensation between long-term and immediate compensation, between cash and non-cash compensation, or among different forms of non-cash compensation, other than as described in this Compensation Discussion and Analysis for the manner in which we make restricted stock awards to executives.

Our Compensation Committee's current intent is to perform on a regular basis a strategic review of our executive officers' overall compensation packages to determine whether they provide adequate incentives and motivation and whether they adequately compensate our executive officers relative to comparable officers in our peer group companies.

## **Base Salaries**

Our Compensation Committee reviews the base salaries of our executives annually and may adjust an officer's salary if it determines that such a change is merited on the basis of the officer's personal performance and market conditions. As set forth in the "Summary Compensation" table below, the Compensation Committee approved 2015 salary increases for executive officers based on market conditions, personal performance of the executives, the Company's growth and the Company's increased complexity of operation.

## **Cash Incentive Plan**

As noted above, one element of our cash compensation has been a performance-based incentive plan. In 2015, upon the recommendation of the Board and Compensation Committee, our stockholders approved a Cash Incentive Plan, or CIP, for the Company to preserve our ability to deduct "performance-based compensation" awards pursuant to Section 162(m) of the Internal Revenue Code of 1986. The 2015 CIP further described below, which is the performance-based cash incentive plan for 2015, was adopted pursuant to the CIP.

## ***Maximum Bonus and Performance Goals***

In December 2014 the Compensation Committee adopted the 2015 CIP, the effectiveness of which was subject to stockholder approval of the CIP. The 2015 CIP was generally similar to the Executive Management Incentive Program ("EMIP") adopted by the Compensation Committee in each of 2013 and 2014 in that it based the bonus opportunity for our CEO and CFO primarily on consolidated adjusted pre-tax earnings per share with a lesser weighting for consolidated revenue. For our CEO and CFO the target bonus for 2015 was weighted (i) at 85% for attainment of the consolidated pre-tax earnings per share contained in the Company's 2015 business plan ("2015 Plan"), and (ii) at 20% for attainment of the consolidated revenue contained in the 2015 Plan.

For Messrs. Noll and Traverso, the Vice Presidents and General Managers of our two strategic business units ("SBUs") the target bonus under the 2015 CIP was based on the achievement of five metrics: (i) the consolidated pre-tax earnings per share contained in the 2015 Plan weighted at 15%, (ii) the consolidated revenue contained in the 2015 Plan weighted at 15% (iii) the pre-tax earnings per share of their respective strategic business units contained in the 2015 Plan weighted at 25%, (iv) the revenue of their SBUs contained in the 2015 Plan weighted at 25%, and (v) successful completion of discrete operational goals for their respective SBUs in 2015 weighted at 20%. These performance metrics were the same performance categories implemented in the 2014 EMIP for these two officers. Dr. Chung's bonus was based on the achievement of the following three metrics: (i) the consolidated pre-tax earnings per share contained in the 2015 Plan weighted at 20%, (ii) the consolidated revenue contained in the 2015 Plan weighted at 60% and (iii) the successful completion of discrete operational goals weighted at 20%. These performance metrics

were the same performance categories implemented in the 2014 EMIP for Dr. Chung.

Target amounts for our named executive officers under the 2015 CIP were established as a percentage of the base salaries of the respective officers and were as follows:

Name:	(\$) <b>Minimum Bonus<sup>(1)</sup></b>	(\$) Target Bonus	(\$) Maximum Bonus
James B. Hawkins, Chief Executive Officer	350,000	700,000	1,400,00
Jonathan A. Kennedy, Senior Vice President Finance and Chief Financial Officer	133,250	265,500	533,000
Austin A. Noll, III, Vice President, General Manager, Neurology	80,000	160,000	320,000
Kenneth M. Traverso, Vice President, General Manager, Newborn Care	77,500	155,000	310,000
D. Christopher Chung, M.D., Vice President Medical Affairs, Quality and Regulatory Affairs	55,400	110,800	221,600

(1)

Pre-tax income of 85% of target required for bonus eligibility.

Under the 2015 CIP, the following payments were made in March 2016:

<b>CEO and CFO</b>	<b>Achievement vs. Plan</b>		<b>Weighted Payout Percentage</b>	
<i>Targets</i>				
Consolidated Revenue	100.6	%	24	%
Consolidated Adjusted Pre-tax EPS <sup>(1)</sup>	106.9	%	116.8	%
Percentage of Target Paid			140.8	%

<b>VP Neurology</b>	<b>Achievement vs. Plan</b>		<b>Weighted Payout Percentage</b>	
<i>Targets</i>				
Neurology SBU Revenue	97.4	%	0	%
Neurology SBU Adjusted Pre-tax Profit	104.2	%	128.2	%
Consolidated Revenue	100.6	%	120	%
Consolidated Adjusted Pre-tax EPS	109.9	%	146	%
MBOs <sup>(1)</sup>	50	%	10	%
Percentage of Target Paid			87.4	%

<b>VP Newborn Care</b>	<b>Achievement vs. Plan</b>		<b>Weighted Payout Percentage</b>	
<i>Targets</i>				
Newborn SBU Revenue	106.7	%	200	%
Newborn SBU Adjusted Pre-tax Profit	109	%	160.2	%
Consolidated Revenue	106.9	%	21.9	%
Consolidated Adjusted Pre-tax EPS	106.9	%	146	%
MBOs <sup>(1)</sup>	50	%	10	%
Percentage of Target Paid			145.3	%

<b>VP QA/RA</b>	<b>Achievement vs. Plan</b>		<b>Weighted Payout Percentage</b>	
<i>Targets</i>				
Consolidated Revenue	100.6	%	120	%
Consolidated Adjusted Pre-tax EPS	106.9	%	146	%
MBOs <sup>(1)</sup>	107.5	%	10	%
Percentage of Target Paid			132.3	%

(1)

This objective reflects two internal initiatives for each executive, including product launches, specific regional results and regulatory objectives.



## Equity-Based Compensation Element

Equity-based compensation provides employees with a common interest with our stockholders to increase the value of our common stock. Equity awards are granted to employees, including our executive officers, in the form of restricted stock and restricted stock units. Equity grants help retain key employees because they typically cannot be fully exercised or are subject to a right of repurchase for four years. In addition, the four-year vesting schedule also helps focus our employees on long-term performance. In 2006, our Board reduced the term of options that we grant from ten years to six years in order to reduce the expense of such options under Financial Accounting Standards Board, Accounting Standards Codification Topic 718, *Compensation—Stock Compensation* (“ASC Topic 718”).

From 2006 until December 2014, we sought to achieve the equity portion of aggregate compensation through stock option grants and restricted stock awards, with each comprising approximately half of the value of the annual equity award. From December 2014 forward, the annual equity award is comprised solely of restricted stock awards.

Equity-based compensation is granted an executive officer when the executive first joins us. Additional equity-based compensation may be granted in connection with a significant change in responsibilities. Further, we typically make annual equity awards to our executive officers, as was the case in 2015 based on the factors noted above. The Compensation Committee’s procedure for timing of equity awards (restricted stock and stock options) provides assurances that grant timing is not being manipulated to result in a price that is favorable to employees. In 2015, the Compensation Committee revised its practice with regard to the granting of equity awards to employees and did so at the beginning of the year in connection with its establishment of cash compensation.

Previously, equity awards were made promptly following the annual meeting of stockholders, typically in June of each year. The exercise price for all option grants is the closing price on the last completed day of trading prior to the meeting of the Compensation Committee at which the options are granted.

### **Employment Agreements and Change in Control Arrangements**

We entered into employment agreements with Kenneth M. Traverso in November 2002, and D. Christopher Chung, M.D. in February 2003, both of which were amended in December 2008, and with James B. Hawkins in April 2004, which agreement was amended in April 2008, December 2008, and April 2014. We entered into an employment agreement with Austin A. Noll, III on August 1, 2012 and Jonathan A. Kennedy on April, 11, 2013. In addition, with the exception of Mr. Hawkins and Mr. Kennedy, the other executives entered into Amended Employment Agreements with the Company in August, 2014. Other than Mr. Hawkins, the terms of these agreements are substantially the same. Upon termination of employment for cause, death, or disability, the executive will only be eligible for severance benefits, if any, in accordance with the Company's established policies for all employees as then in effect, which consist primarily of short-term disability and group life insurance benefits.

Should an officer's, other than Mr. Hawkins', employment with us terminate for other than cause, death or disability, the officer shall be entitled to:

- Receive continuing payments of severance pay, less applicable withholding taxes, at a rate equal to the officer's then current base salary rate for a period of twelve months commencing with the latest payroll date that is also within 70 days from the date of "separation from service" (with earlier commencement possible only if in compliance with Section 409A of the Internal Revenue Code and with payments that would have been made on earlier payroll dates, but for this provision, cumulated and paid on such payroll date);

- The immediate vesting and exercisability of any unvested stock options and of restricted stock, or other equity awards, which in the case of stock options would be exercisable for a period of 30 days after such termination; and

- Continued payment by the Company of COBRA benefits through the lesser of (i) six to eighteen months from the effective date of such termination, (ii) the date upon which the officer and the officer's eligible dependents become covered under similar plans, or (iii) the date the officer no longer constitutes a "Qualified Beneficiary", as such term is defined in Section 4980B(g) of the Internal Revenue Code of 1986, as amended.

These agreements also provide for the same severance benefits as above if the officer terminates his employment for "good reason" within 12 months following a change-in-control transaction. Employment termination is for "good reason" if it follows a material reduction in the officer's duties or responsibilities, a reduction in base salary, a material reduction in employee benefits, relocation of more than 35 miles from the officer's present location, or the failure of a successor entity to assume the employment agreement. A change in control for such employment agreements is a transaction by which someone acquires more than 50% of the Company's outstanding voting power, a change in the

Board within a two year period such that fewer than a majority are incumbent directors, a merger or consolidation following which the stockholders of the Company own 40% or less of the combined voting power of the Company or the surviving entity, or the sale of all or substantially all of the assets of the Company.

Should Mr. Hawkins' employment with us terminate for other than cause, death or disability, Mr. Hawkins shall be entitled to:

- Receive a lump sum payment due and payable within thirty (30) days after the date of separation, less applicable withholding taxes, equal to two times his then current base salary;
- The immediate vesting of any unvested stock options, restricted stock, or other equity awards, which in the case of stock options would be exercisable for a period of 30 days after such termination; and
- Continued payment by the Company of COBRA benefits through the lesser of (i) 18 months from the effective date of such termination, or (ii) the date upon which he or his eligible dependents become covered under similar plans

The agreement provides that if within twelve months of a change in control transaction Mr. Hawkins terminates his employment for "good reason" or is terminated without cause, then Mr. Hawkins will receive (i) a lump sum payment due and payable within thirty (30) days after the date of separation, less applicable withholding taxes, equal to two times the sum of (A) the greater of his then current base salary rate and his base salary rate in effect immediately prior to the change in control transaction and (B) the greater of 100% of his target bonus then in effect and 100% of his target bonus as in effect immediately prior to the change in control transaction; (ii) continued provision of COBRA or similar benefits through the lesser of twenty-four months or the date upon which Mr. Hawkins becomes covered under similar plans; and (iii) the immediate vesting of unvested stock options, restricted

stock and other equity awards. Employment termination is for “good reason” if it follows a material reduction in the officer’s duties or responsibilities, a material reduction in base salary, a material reduction in employee benefits, relocation of more than 35 miles from the officer’s present location, or the failure of a successor entity to assume the employment agreement. A change in control for purposes of this employment agreement is a transaction by which someone acquires more than 50% of the Company’s outstanding voting power, a merger or consolidation following which the stockholders of the Company own 40% or less of the combined voting power of the Company or the surviving entity, stockholder approval of a plan to liquidate the Company, or the sale of all or substantially all of the assets of the Company.

To be eligible for termination benefits, all executives must comply with certain non-compete and non-solicitation provisions and retention is conditioned on execution of a release of claims.

The base salaries for our named executive officers for 2015 were as follows: James B. Hawkins, \$700,000; Jonathan A. Kennedy, \$410,000; Austin A. Noll, III, \$320,000; and Kenneth M. Traverso, \$310,000; D. Christopher Chung, M.D., \$277,000.

We believe that these agreements appropriately balance our needs to offer a competitive level of severance protection to our executives and to induce our executives to remain in our employ through the potentially disruptive conditions that may exist around the time of a change in control, while not unduly rewarding executives for a termination of their employment. We note that our change in control terms include so-called “double trigger” provisions, so that the executive is not entitled to the severance payment by the mere occurrence of the change in control. This feature, we believe, will be an incentive to the executive to remain in the employ of the Company if such continuation is required by our partner in a change in control transaction.

Our 2011 Stock Awards Plan provides for the grant of options to purchase our common stock to employees, directors and consultants. Under the predecessor plan, prior to June 14, 2006, options granted to employees had a contractual term of ten years; options granted since June 14, 2006 have a contractual term of six years. The 2011 plan and the predecessor plan provide that after certain “change in control” events, including, for example, our merger with or into another corporation or the sale of all or substantially all of our assets, outstanding options may be assumed or equivalent options may be substituted, by the successor corporation. The plans provide that the plan administrator may provide that if an optionee’s options are assumed or substituted and the optionee’s status as our employee or employee of the successor corporation is terminated within 12 months other than by a voluntary resignation or termination for cause, the option may become fully exercisable. Further, if the successor corporation does not assume an outstanding option or substitute for it an equivalent option, the option becomes fully vested and exercisable.

For further detailed financial information concerning the severance and change in control arrangements with our executive officers, please see the tabular information contained in the section entitled “Potential Payments Upon Termination or Change in Control.”

## **Other Benefits**

Executive officers are eligible to participate in all of our employee benefit plans, such as medical, dental, vision, group life, disability, and accidental death and dismemberment insurance, and our 401(k) plan, in each case on the same basis as other employees, subject to applicable law. We also provide vacation and other paid holidays to all employees, including our executive officers, which we intend to be comparable to those provided at peer companies.

## **Accounting Treatment**

We account for equity compensation paid to our employees under ASC Topic 718 which requires us to estimate and record an expense over the service period of the award. Our cash compensation is recorded as an expense at the time the obligation is accrued. We structure the cash compensation element of our incentive compensation so that it is taxable to our executives at the time it becomes available to them. We currently intend that all cash compensation paid will be tax deductible by us. However, with respect to equity compensation awards, while any gain recognized by employees from nonqualified options granted at fair market value should be deductible, to the extent that an option constitutes an incentive stock option, gain recognized by the optionee will not be deductible if there is no disqualifying disposition by the optionee. In addition, if we grant restricted stock or restricted stock unit awards that are not subject to performance vesting, they may not be fully deductible by us at the time the award is otherwise taxable to employees.

## **Tax Deductibility of Executive Compensation**

Under Section 162(m) of the Internal Revenue Code, we may not receive a federal income tax deduction for compensation that is not performance-based (as defined in the Section 162(m) rules) paid to the Chief Executive Officer and the next three most highly compensated executive officers (other than our Chief Financial Officer) to the extent that any of these persons receives more than \$1,000,000 in nonperformance-based compensation in any one year. The Compensation Committee takes into account

many factors, including whether such compensation is deductible, in making its executive compensation decisions and retains the flexibility to grant awards or pay compensation it determines to be consistent with its goals for our executive compensation program even if the compensation is not deductible by us for tax purposes. In 2015, stockholders approved the CIP, which approval was designed to qualify cash bonus payments for 2015 and future years under the CIP under Section 162(m).

## Compensation Risk

The Compensation Committee regularly reviews the Company's compensation policies and practices, including the risks created by the Company's compensation plans. The Compensation Committee concluded that the compensation plans reflected the appropriate compensation goals and philosophy and that any risks arising from the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

## SUMMARY COMPENSATION TABLE

The following table sets forth information concerning compensation of our Chief Executive Officer, Chief Financial Officer, and the other three most highly compensated executive officers (the "named executive officers"), all of whom were serving as executive officers of the Company as of December 31, 2015<sup>1</sup>.

Name and Principal Position	Year	Salary	Stock Awards <sup>3</sup>	Option Awards <sup>3</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>4</sup>	All Other Compensation <sup>5</sup>	Total
James B. Hawkins Chief Executive Officer	2015	\$700,000	\$2,811,120	\$—	985,502	\$ 7,522	\$4,504,144
	2014	650,000	1,237,500	792,699	1,080,301	4,682	3,765,182
	2013	500,000	1,075,500	674,520	537,400	4,473	2,791,893
Jonathan A. Kennedy Senior Vice President Finance and Chief Financial Officer	2015	410,000	864,960	—	375,195	4,250	1,654,405
	2014	365,417	450,000	288,254	410,514	2,206	1,516,391
	2013	350,000	794,400	456,709	179,550	77,721 <sup>2</sup>	1,764,374
Austin A. Noll, III Vice President, General Manager, Neurology	2015	320,000	450,500	—	139,859	828	911,187
	2014	295,000	225,000	144,127	197,060	761	861,948
	2013	265,000	258,120	161,885	148,850	630	834,485
Kenneth M. Traverso	2015	310,000	414,460	—	225,229	4,319	945,008

Edgar Filing: NATUS MEDICAL INC - Form DEF 14A

Vice President, General Manager, Newborn Care	2014	295,000	225,000	144,127	156,055	3,667	823,849
	2013	302,875	215,100	134,904	118,300	1,133	734,929
D. Christopher Chung, M.D.	2015	277,000	288,320	—	146,637	6,114	717,981
Vice President Medical Affairs, Quality and Regulatory	2014	267,000	157,500	100,889	152,083	3,667	681,139
	2013	257,000	215,100	134,904	118,300	1,133	543,522

(1)

Each of the named executive officers has an Employment Agreement with us that provided for an initial base salary that is subject to subsequent review and to adjustments. These agreements provide that the executive's employment with us is on an "at will" basis. These agreements also provide for certain payments and other benefits upon termination of employment in certain circumstances, as further described under "Employment Agreements and Change in Control Arrangements" in the "Compensation Discussion and Analysis" above, and in the "Potential Payments Upon Termination or Change in Control" section below.

(2)

Includes a \$75,000 signing bonus upon his acceptance of employment with the Company.

(3)

The amounts included in the "Stock Awards" and "Option Awards" columns represent the grant-date fair value of the awards on the date of grant, computed in accordance with ASC Topic 718, except that in the case of option awards, a forfeiture rate of zero percent has been used. The assumptions we use in calculating these amounts, other than the exclusion of the impact of estimated forfeitures, are discussed in *Note 12-Share Based Compensation* of the Notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015. See the "Grants of Plan Based Awards Table" for more information regarding the equity awards granted by the Company in 2015. Refer to the "Compensation Discussion and Analysis" above for a discussion of these awards.

(4)

The amounts in this column reflect bonuses under our Management Incentive Plan for 2015 performance that were paid in March 2016. See the "Grants of Plan Based Awards Table" for more information regarding non-equity incentive plan compensation. Refer to the "Compensation Discussion and Analysis" above for a discussion of non-equity incentive plan compensation.

(5)

The amounts included in the “All Other Compensation” column consist of matching contributions paid by the Company into our 401(k) plan on behalf of the named executive officers, the value of group life insurance benefits.



**GRANTS OF PLAN BASED AWARDS – FISCAL 2015**

This table discloses the actual numbers of stock options and restricted stock awards granted to our named executive officers in 2015 and the grant date fair value of these awards. It also captures the payouts under the Company's 2015 EMIP.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>1</sup>			All Other Stock Awards: Number of Shares of Stock or Units <sup>2</sup>	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (\$/Share)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>3</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)				
Mr. Hawkins	01/01/2015	350,000	700,000	1,400,000	78,000		\$2,811,120	
Mr. Kennedy	01/01/2015	133,250	265,500	533,000	24,000		864,960	
Mr. Noll	01/01/2015	80,000	160,000	320,000	12,500		450,500	
Dr. Chung	01/01/2015	77,500	155,000	310,000	8,000		288,320	
Mr. Traverso	01/01/2015	59,000	155,000	221,600	11,500		414,460	

(1)

Each of the named executive officers had a range of payouts targeted for 2015 non-equity incentive compensation under our 2015 CIP based on the Company's performance as described in "Compensation Discussion and Analysis" above.

(2)

Each of the named executive officers received a grant of restricted shares in 2015 that vest as follows: 50% in January 2017, 25% in January 2018, and 25% in January 2019.

(3)

Represents the grant date fair market value of restricted stock awards and stock options granted to the named executive officers in 2012 computed in accordance with ASC Topic 718, except that in the case of option awards, a forfeiture rate of zero percent has been used. The assumptions we use in calculating these amounts, other than the exclusion of the impact of estimated forfeitures, are discussed in *Note 11-Share Based Compensation* of the Notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015.

**OUTSTANDING EQUITY AWARDS AT 2015 FISCAL YEAR-END**

Name	Option Awards <sup>1</sup>				Stock Awards		
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>4</sup>	
Mr. Hawkins	140,000	20,000	10.69	06/07/2018	3	190,500	9,153,525
	93,50	56,250	14.34	06/03/2019			
	52,708	57,292	22.50	01/01/2020			
Mr. Kennedy	4,583	36,667	13.24	04/08/2019	1	74,000	3,555,700
	1,667	20,833	22.50	01/01/2020	3		
Mr. Noll	1,042	8,333	11.92	06/07/2018	3	37,750	1,813,888
	750	13,500	14.34	2 /14/2019	1,3		
	9,583	10,417	22.50	01/01/2020	3		
Dr. Chung	5,250	22,750	\$ 10.69	06/07/2018	3	24,250	1,165,213
	6,000	10,000	\$ 14.34	06/07/2019	3		
	7,292	6,708	22.50	01/01/2020	2		
Mr. Traverso	7,459	—	\$ 16.78	06/03/2016	3	34,250	1,645,713
	26,000	—	\$ 16.38	06/01/2017	3		
	36,750	5,250	\$ 10.69	06/07/2018	3		
	18,750	11,250	\$ 14.34	06/07/2019	3		
	9,583	10,417	\$ 22,50	01/01/2020	3		

(1)

Initial grants of options to the named executive officers upon employment vest 1/8th after the completion of six months of service with the remainder vesting ratably over the next 42 months. Subsequent grants of options vest ratably over a 48 month period.

(2)

Represents subsequent grant of options granted prior to June 14, 2006 that expire 10 years from the date of grant.

(3)

Represents subsequent grant of options granted on or after June 14, 2006 that expire 6 years from the date of grant.

(4)

Represents the value of these awards based on the closing price of our stock on December 31, 2015 of \$48.05.

24

**OPTION EXERCISES AND STOCK VESTED – FISCAL 2015**

The following table sets forth certain information regarding options and stock awards exercised and vested, respectively, during 2015 for the named executive officers.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#) <sup>1</sup>	Value Realized on Vesting (\$) <sup>1</sup>
Mr. Hawkins	200,000	5,467,166	70,000	3,138,100
Mr. Kennedy	40,417	1,042,250	30,000	1,195,800
Mr. Noll	38,875	1,365,714	15,250	650,720
Mr. Chung	106,000	2,962,799	12,500	560,375
Mr. Traverso	78,541	1,671,437	16,000	717,280

(1) Represents the value of restricted stock awards that were granted on June 3, 2010 and June 2, 2011, and June 8, 2012 that vested in 2015.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

Under the employment agreements between the Company and the named executive officers, upon termination of employment for cause, death or disability, the executive will only be eligible for severance benefits, if any, in accordance with the Company's established policies for all employees as then in effect. The table that follows reflects the amount of compensation due to our named executive officers if their employment is terminated for other than cause, death or disability, or their employment is terminated or the executive terminates his employment for good cause, following a change in control, as more fully described under "Employment Agreements and Change in Control Arrangements" in the "Compensation Discussion and Analysis" above. The amounts shown below assume that such termination or change in control event was effective as of December 31, 2015.

Name	Cash Severance Payment	Continuation of Medical and Welfare	Acceleration of Equity Awards <sup>1</sup>	Total Termination Benefits
------	------------------------	-------------------------------------	--	----------------------------

		<b>Benefits</b>		
Mr. Hawkins (2)	\$ 1,400,000	\$ 27,090	\$ 13,260,724	\$ 14,687,814
Mr. Kennedy	410,000	6,620	5,364,361	5,780,981
Mr. Noll	320,000	4,180	2,836,198	3,160,378
Dr. Chung	310,000	9,930	2,523,642	2,843,572
Mr. Traverso	277,000	9,930	2,487,245	2,774,175

(1) Under the employment agreements between the Company and the named executive officers, upon a covered termination, any unvested stock options, restricted stock, or other equity awards would immediately vest and options would be exercisable for up to 30 days following termination. Such unvested awards would also vest if an acquiring company does not assume them following a change in control transaction. The amounts in this column represent the intrinsic value of these awards based on the closing price of our stock on December 31, 2015 of \$48.05.

(2) For Mr. Hawkins, the amounts shown in the table represent the payments to which he is entitled for a termination following a change of control. For termination without cause other than in connection with a change of his control, his cash severance payment and other benefits are detailed on p. 24, above.

**DIRECTOR COMPENSATION**

Directors who are employees receive no additional compensation for serving on the Board or its committees. The table below discloses the annual compensation provided during the year ended December 31, 2015 to directors who are not employees:

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)<sup>1</sup></b>	<b>Stock Awards (\$)<sup>2</sup></b>	<b>Option Awards (\$)<sup>2, 3</sup></b>	<b>Total (\$)</b>
Mr. Gunst	130,000	128,278	—	258,278
Ms. Engibous <sup>4</sup>	65,000	128,278	—	193,278
Mr. Ludlum <sup>5</sup>	85,000	128,278	—	213,278
Mr. Moore <sup>6</sup>	80,000	128,278	—	208,278

(1)

For 2015, fees earned and paid in cash were based on the following retainer and payment schedule:

Board Retainer	\$45,000
Audit Committee Member Retainer	\$15,000
Compensation Committee Member Retainer	\$10,000
Nominating Committee Member Retainer	\$5,000
Chairman of the Board	\$55,000
Audit Chair Retainer	\$20,000
Compensation Chair Retainer	\$10,000
Nominating Chair Retainer	\$5,000

(2)

Represents the grant-date fair market value of restricted stock awards and stock options granted to the directors in 2015 computed in accordance with ASC Topic 718, except that in the case of option awards, a forfeiture rate of zero percent has been used. The assumptions we use in calculating these amounts, other than the exclusion of the impact of estimated forfeitures, are discussed in *Note 12-Share Based Compensation* of the Notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015.

(3)

At December 31, 2015, Ms. Engibous had 23,000 options and 3,250 unvested restricted shares outstanding, Mr. Gunst had 23,000 options and 3,250 unvested restricted shares outstanding, Mr. Ludlum had 13,000 options and 3,250 unvested restricted shares outstanding, and Mr. Moore had 18,000 options and 3,250 unvested restricted shares outstanding.

(4)

Nominating and Governance Committee Chair.

(5)

Audit Committee Chair.

(6)

Compensation Committee Chair.

## **REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

### **Compensation Committee Report**

The Compensation Committee of the Board of Natus has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Respectfully submitted by:  
THE COMPENSATION COMMITTEE

William M. Moore, Chair  
Doris E. Engibous  
Robert A. Gunst

## REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee is comprised of three directors who are independent under the applicable rules of the Nasdaq Stock Market and the Securities and Exchange Commission. The Audit Committee assists the Board in its oversight of the Company's financial reporting process and administration of corporate policy in matters of accounting and control.

The Board has adopted a written Audit Committee Charter. As stated in the charter, management is responsible for the preparation, presentation and integrity of the Company's financial statements. The Audit Committee has relied on (i) management's representation that such financial statements have been prepared with integrity and objectivity and (ii) the report of the Company's independent auditors with respect to such financial statements. The Company's accounting and financial reporting principles and internal controls and procedures are designed to assure compliance with accounting standards and applicable laws and regulations.

The Audit Committee appoints the independent auditors and periodically reviews their performance and independence from management, and pre-approves all audit and non-audit services provided by the independent auditors. The Audit Committee functions as the liaison with the independent auditors, who are responsible for auditing the Company's financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States. The Audit Committee meets with the independent auditors, with and without management present, to discuss the results of their examination, evaluations of the Company's internal controls and the overall quality of the Company's financial reporting.

In the performance of its oversight function, the Audit Committee has done the following:

- Reviewed and discussed the audited financial statements with management and the independent auditors;
- Discussed with the independent auditors any matters required to be discussed by Auditing Standard No. 16, *Communication with Audit Committees*; and
- Received and discussed the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board (United States) regarding the independent auditor's communications with the Audit Committee concerning independence; and
- Discussed with the independent auditors the firm's independence.

Based upon the review and discussions described above, the Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, for filing with the Securities and Exchange Commission.



Respectfully submitted by:  
THE AUDIT COMMITTEE

Kenneth E. Ludlum, Chair  
Robert A. Gunst  
William M. Moore

**OTHER MATTERS**

We know of no other matters to be submitted at the annual meeting. If any other matters properly come before the annual meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as the Board may recommend.

It is important that your shares be represented at the annual meeting, regardless of the number of shares you hold. You are therefore urged to vote via the internet or by phone or, if you have received a paper proxy card, to mark, sign, date, and return the proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose.

**THE BOARD OF DIRECTORS OF  
NATUS MEDICAL INCORPORATED**

## **Exhibit A**

### **Use of Non-GAAP Financial Measures**

The Company's non-GAAP results exclude amortization expense associated with certain acquisition-related intangibles, restructuring charges, certain discreet tax items, direct costs of acquisitions and the related tax effects. A reconciliation between non-GAAP and GAAP financial measures is included in this press release.

The Company believes that the presentation of results excluding these charges provides meaningful supplemental information to both management and investors that is indicative of the Company's core operating results. Therefore, the Company believes these non-GAAP financial measures facilitate comparison of operating results across reporting periods.

The Company believes that both management and investors benefit from referring to these non-GAAP financial measures in assessing the Company's performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparisons to the Company's historical performance. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for or superior to financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial statements should be carefully evaluated.

## NATUS MEDICAL INCORPORATED AND SUBSIDIARIES

## RECONCILIATION OF NON-GAAP ADJUSTMENTS (UNAUDITED)

(in thousands, except per share amounts)

	Quarter Ended December 31, 2015	Year Ended December 31, 2015		
<b>GAAP based results:</b>				
<b>Income before provision for income tax</b>	<b>\$ 10,188</b>	<b>\$ 52,410</b>		
Restatement adjustment	—	—		
<b>Non-GAAP adjustments:</b>				
Intangibles Amortization - Cost of revenue	788	2,836		
Intangibles Amortization - Operating expense	2,282	7,447		
Intangible asset impairment - Operating expense	—	—		
Recall accrual	4,975	4,975		
Restructuring	1,787	2,145		
Direct costs of acquisitions (M&S)	456	456		
Direct costs of acquisitions (OI&E)	144	144		
Non-GAAP income before provision for income tax	20,620	70,413		
Income tax expense, as adjusted	3,587	19,005		
<b>Non-GAAP net income</b>	<b>\$ 17,033</b>	<b>\$ 51,408</b>		
<b>Non-GAAP earnings per share:</b>				
Basic	\$ 0.53	\$ 1.59		
Diluted	\$ 0.51	\$ 1.55		
Weighted-average shares used to compute				
Basic non-GAAP earnings per share	32,358	32,348		
Diluted non-GAAP earnings per share	33,130	33,241		
GAAP Gross profit	58,139	227,537		
Restatement adjustment	—	—		
Amortization of intangibles	788	2,836		
Recall accrual	4,975	4,975		
Non-GAAP Gross Profit	63,902	235,348		
<b>Non-GAAP Gross Margin</b>	<b>63.9</b>	<b>62.6</b>	%	%
GAAP Operating profit	10,049	53,473		
Restatement adjustment	—	—		
Amortization of intangibles	3,070	10,283		
Intangible asset impairment	—	—		

Recall accrual	4,975		4,975	
Restructuring and other costs	2,243		2,601	
Non-GAAP Operating profit	20,337		71,332	
<b>Non-GAAP Operating margin</b>	<b>20.3</b>	<b>%</b>	<b>19.0</b>	<b>%</b>

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

***NATUS MEDICAL  
INCORPORATED  
6701 Koll Center  
Parkway Suite 120  
Pleasanton, CA 94566  
ATTN: Jonathan A.  
Kennedy***

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY  
**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**The Board of Directors recommends you vote FOR the following:**

1. To elect two directors to serve for a term of three years;

**Nominees**

**For Against Abstain**

1a. James B. Hawkins

1b. Robert A.  
Gunst

**The Board of Directors recommends you vote FOR proposals 2 and 3.**

**For Against Abstain**

2 To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2016;

3 Advisory approval of the Company's named executive officer compensation;

**NOTE:** Transaction of such other business as may properly come before the meeting or any adjournment thereof.

For address  
change/comments,  
mark here.  
(see reverse  
for  
instructions)

**Yes**   **No**

Please indicate  
if you plan to  
attend this  
meeting

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date
--	------	--------------------------	------

0000283377\_1 R1.0.1.25



**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Notice & Proxy Statement, Annual Report is/ are available at [www.proxyvote.com](http://www.proxyvote.com)

**NATUS MEDICAL INCORPORATED**  
**This proxy is solicited on behalf of the Board of Directors**

**Annual Meeting of Stockholders  
June 2, 2016 8:00 AM**

The stockholder(s) hereby appoint(s) James B. Hawkins and Jonathan A. Kennedy, or either of them, as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common stock of NATUS MEDICAL INCORPORATED that the stockholder(s) is/are entitled to vote at the Annual Meeting of Stockholders to be held on Thursday, June 2, 2016, at 8:00 a.m., Pacific Time, at our Pleasanton, California offices located at 6701 Koll Center Parkway, Suite 120, Pleasanton, CA, 94566, and any adjournment or postponement thereof.

**This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.**

**Address change/comments:**

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**

0000283377\_2 R1.0.1.25