NATUS MEDICAL INC
Form DEF 14A
April 30, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14a

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x 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)).**

x 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):

x 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:

Table of Contents

Natus Medical Incorporated

1501 Industrial Road

San Carlos, California 94070

www.natus.com

(650) 802-0400

NOTICE OF 2009 ANNUAL MEETING OF STOCKHOLDERS

TO OUR STOCKHOLDERS:

The 2009 Annual Meeting of Stockholders of Natus Medical Incorporated will be held on Tuesday, June 16, 2009, at 9:30 a.m., Pacific Time, at our headquarters located at 1501 Industrial Road, San Carlos, California 94070 for the following purposes:

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

2. To ratify the appointment of Deloitte & Touche LLP, an independent registered public accounting firm, as our auditors for the year ending December 31, 2009; and

3. To transact such other business as may properly come before the Annual Meeting, including any motion to adjourn to a later date to permit further solicitation of proxies.

This year in accordance with new 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 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. We believe this new rule will make the proxy distribution process more efficient, less costly and help in conserving natural resources.

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 17, 2009, are entitled to attend and vote at the meeting. A complete list of these stockholders will be available during normal business hours for ten days prior to the meeting at our headquarters located at 1501 Industrial Road, San Carlos, California 94070. 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.

For the Board of Directors of
NATUS MEDICAL INCORPORATED

JAMES B. HAWKINS
President and Chief Executive Officer

San Carlos, California

May 7, 2009

PROXY STATEMENT

YOUR VOTE IS IMPORTANT

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

Table of Contents

TABLE OF CONTENTS

Notice of Annual Meeting of Stockholders	
Internet Availability of Proxy Materials	1
Questions and Answers About the Proxy Materials and the Annual Meeting	2
Proposal No. 1 Election of Directors	8
Proposal No. 2 Ratification of Appointment of Independent Registered Public Accounting Firm	11
Corporate Governance Principles and Board Matters	13
Board Independence	13
Board Structure and Committee Composition	13
Policy for Director Recommendations and Nominations	14
Certain Relationships and Policies on Related Party Transactions	15
Compensation Committee Interlocks and Insider Participation	16
Communicating with our Board	17
Security Ownership of Certain Beneficial Owners and Management	17
Compliance with Section 16(a) of the Securities Exchange Act of 1934	19
Compensation Discussion and Analysis	20
General	20
Cash Compensation Element	22
Equity-Based Compensation Element	23
Compensation of the Chief Executive Officer	24
Employment Agreements and Change in Control Arrangements	24
Other Benefits	26
Accounting Treatment	26
Tax Deductibility of Executive Compensation	26
Summary Compensation Table	27
Grants of Plan Based Awards	28
Outstanding Equity Awards at Fiscal Year-end	29
Option Exercises and Stock Vested	30
Potential Payments Upon Termination or Change in Control	30
Director Compensation	31
Report of the Compensation Committee of the Board of Directors	33
Report of the Audit Committee of the Board of Directors	34
Other Matters	35

Table of Contents

INTERNET AVAILABILITY OF PROXY MATERIALS

This year, in accordance with new 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 new rule will make the proxy distribution process more efficient, less costly, and help 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.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Q: Why am I receiving these materials?

A: The Board of Directors (the Board) of Natus Medical Incorporated, (the Company , we , our), a Delaware corporation, is providing these proxy materials to you in connection with the annual meeting of stockholders of Natus that will take place on June 16, 2009. As a stockholder as of the record date, April 17, 2009, 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 sending the proxy materials on or about May 7, 2009 to all our stockholders as of the record date.

Q: What information is contained in this proxy statement?

A: 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 directors and executive officers, and certain other required information.

Q: How may I obtain Natus Form 10-K?

A: A copy of our 2008 Annual Report on Form 10-K is enclosed. Stockholders may request an additional free copy of the 2008 Form 10-K from:

Natus Medical Incorporated

Attn: Investor Relations

1501 Industrial Road

San Carlos, CA 94070

(650) 802-0400

Our 2008 Annual Report on Form 10-K is also available on our website at *www.natus.com* and at the website of the Securities and Exchange Commission at *www.sec.gov*.

We will also furnish any exhibit to our 2008 Annual Report on Form 10-K if specifically requested in writing.

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

A: 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 Deloitte & Touche LLP, an independent registered public accounting firm, as auditors for the year ending December 31, 2009; and

Other business that properly comes before the annual meeting.

Q: How does the Board recommend that I vote?

A: Our Board recommends that you vote your shares FOR each of the nominees to the Board and FOR the ratification of Deloitte & Touche LLP, an independent registered public accounting firm, as auditors for the year ending December 31, 2009.

Q: What shares can I vote?

A: Each share of Natus common stock issued and outstanding as of the close of business on April 17, 2009, 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 you as of that date, including (1) shares held directly in your name as the *stockholder of record* and (2) shares held by you as the *beneficial owner* through a broker, trustee or other nominee, such

Table of Contents

as a bank. More information on how to vote these shares is contained in this proxy statement. On the *Record Date* we had approximately 27,981,581 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?

A: Rather than holding shares in their own name, as a stockholder of record, most Natus stockholders hold their shares 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* and these proxy materials are being sent directly to you by Natus. 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. Natus has enclosed or sent 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?

A: 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 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?

A: 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 nominee. The Notice of Internet Availability of Proxy Materials provides 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 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 nominee. Please check the voting instruction card for Internet voting availability.

Table of Contents

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 cards provided by their broker, trustee or 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 accompanying pre-addressed envelopes. 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 accompanying pre-addressed envelopes.

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 nominee, or, if you have obtained a legal proxy from your broker, trustee or nominee giving you the right to vote your shares, by attending the annual meeting and voting in person.

Q: Is my vote confidential?

A: Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Natus or to third parties, except: (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote, and (3) to facilitate a successful proxy solicitation.

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

A: A majority of shares of our common stock entitled to vote must be present in person or represented by proxy to meet the quorum requirement 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: Will my shares be voted if I do not return my proxy card?

A: If your shares are held in street name, your broker may, under certain circumstances, vote your shares. Brokerage firms have authority to vote client s unvoted shares on some routine matters. If you do not give a proxy to vote your shares, your broker may either (1) vote your shares on routine matters, such as the election of directors and the ratification of auditors, or (2) leave your shares unvoted. In addition, the terms of the agreement with your broker may grant your broker discretionary authority to vote your shares.

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

A: In the election of directors, the two nominees receiving the highest number of FOR votes at the annual meeting will be elected. Our Corporate Governance Principles and Practices provide that if a nominee for election to the Board of Directors had a greater number of votes withheld 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.

Table of Contents

The proposal for ratification of the independent auditors requires a FOR vote by a majority of those shares present in person or represented by proxy and entitled to vote on that proposal at the annual meeting. If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute broker non-votes. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owners and instructions are not given. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the meeting, assuming that a quorum is obtained. Abstentions have the same effect as votes against the matter.

Q: How are votes counted?

A: In the election of directors, you may vote FOR all of the nominees or your vote may be WITHHELD with respect to one or more of the nominees.

For the other items of business, you may vote FOR, AGAINST or ABSTAIN. If you ABSTAIN, the abstention has the same effect as a vote AGAINST. If you sign your proxy card or voting instruction card without giving specific instructions, your shares will be voted in accordance with the recommendations of the Board (FOR all of Natus s nominees to the Board and FOR ratification of the independent auditors).

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 candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected.

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

A: Other than the two 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 Steven J. Murphy, 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 any 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 of Directors.

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. This year, 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

Table of Contents

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 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.

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 bank, broker or other holder of record to request information about householding.

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

A: If you wish to receive an additional set of proxy materials now or in the future, you may write or call us to request a separate copy of these materials from our principal executive offices at:

Natus Medical Incorporated

Attn: Investor Relations

1501 Industrial Road

San Carlos, CA 94070

650-802-0400

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

A: 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 preliminary voting results at the annual meeting and publish final results in our quarterly report on Form 10-Q for the second quarter of 2009.

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 2009 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 January 7, 2010. If the date of next year s annual meeting is moved more than 30 days before or after the anniversary date of this years 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

1501 Industrial Road

San Carlos, CA 94070

Table of Contents

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 2010 annual meeting of stockholders, any such notice must be received by the Company not later than the close of business on March 8, 2010, provided that if the date of the 2010 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 2010 annual meeting) then such notice must be received a reasonable time before we begin the solicitation of proxies for the 2010 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 March 8, 2010, provided that if the date of the 2010 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 2010 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.

Table of Contents

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 Doris Engibous and William M. Moore. Each of the nominees is presently a member of the Board whose term expires at the meeting. Information regarding the business experience of each nominee and other members of the board is provided below. Each of the directors elected will serve a three-year term until our annual meeting in 2012 and until their respective successors are 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.

Our Board recommends a vote FOR the election to the Board of each of Ms. Engibous and Mr. Moore.

Vote Required The two persons receiving the highest number of for votes represented by shares of Natus common stock present in person or represented by proxy and entitled to be voted at the annual meeting will be elected. Our Corporate Governance Principles and Practices provide that if a nominee for election to the Board of Directors had a greater number of votes withheld 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.

Table of Contents

Nominees for Election

Doris E. Engibous Director since 2004 Age 54	Ms. Engibous has served as President and Chief Executive Officer of Hemosphere, Inc. (formerly GRAFTcath, Inc.), an early commercialization stage medical technology company, since September 2004. From August 2003 to September 2004, Ms. Engibous served as a consultant and advisor to medical technology companies. Ms. Engibous served as President of Nellcor, a Tyco Healthcare Group/Tyco International, Ltd. business from 2000 through August 2003. Ms. Engibous currently serves on the board of directors of The National Kidney Foundation Inc. Serving the Dakotas and Minnesota. She holds a Bachelor of Science degree in Chemical Engineering from the University of Michigan.
William M. Moore Director since 1987 Age 60	Mr. Moore is one of our co-founders. Mr. Moore has served as a partner of Alpine Partners since May 2008. Prior to that, he was a partner at Blue Line Partners, a private equity firm, from February 2004 until May 2008. From March 2003 until February 2004, Mr. More was a general partner of Alpine Partners, a venture capital firm. Mr. Moore served as Chief Executive Officer of Metasensors, Inc., a medical device company, from 1997 to March 2003. Mr. Moore currently serves on the Boards of Directors of IRIDEX Corporation and Urologix Inc. Mr. Moore holds a Bachelor of Science degree in Business from the University of Utah.

Continuing Directors

Robert A. Gunst Director since 2004 Age 61	Mr. Gunst joined the Board of Directors in June 2004 and he was appointed Chairman in September 2004. Mr. Gunst is currently a private investor. From 1990 to 1999, Mr. Gunst served as the President and Chief Executive Officer of The Good Guys, Inc. 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.
James B. Hawkins Director since 2004 Age 53	Mr. Hawkins joined Natus as President, Chief Executive Officer, and Director in April 2004. 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 1985 through January 2004. Mr. Hawkins also served as Secretary of Invivo from 1986 until January 2004. Mr. Hawkins is a director of IRIDEX Corporation. 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.
Kenneth E. Ludlum Director since 2002 Age 55	Mr. Ludlum has served as the Senior Vice President and Chief Financial Officer of Paracor Medical Systems, Inc. since April 2008. From August 2007 through December 2007 he was the Chairman of the Board of Directors of AtheroMed, Inc. From March 2007 through August 2007 he served as Senior Vice President and Chief Financial Officer of Zonare Medical Systems. From 2005 through early 2007, Mr. Ludlum was an investor, advisor and board member for several medical technology companies. He was President, Chief Executive Officer, and Chairman of the Board of Directors of Revivant Corporation from June 2003 until its sale to Zoll Medical Corporation in October 2004. Prior to that, he was Chief Financial Officer of Perclose, Inc. Mr. Ludlum currently serves on the boards of directors of certain private medical technology companies. He holds a Bachelor of Science degree in Business from Lehigh University and a Masters of Business Administration degree from Columbia University.

Table of Contents

Mark D. Michael Director since 2004 Age 58	Mr. Michael is currently a private investor, director and consultant. He has served as the Senior Executive Advisor to Control Risks Group since March 2007. From October 2003 until March 2007, Mr. Michael acted as a private investor and consultant. Mr. Michael was Senior Vice President Legal, General Counsel, and Secretary of 3Com from 1997 through September 2003. Mr. Michael serves on the Board of Directors of Nollenberger Capital Partners, Inc. He holds a Bachelor of Arts degree in History from Stanford University and a Juris Doctorate from the University of California Los Angeles School of Law.

Table of Contents

Proposal No. 2 Ratification of Appointment of Independent Registered Public Accounting Firm

The Audit Committee of the Board has appointed Deloitte & Touche LLP, an independent registered public accounting firm, to audit Natus s consolidated financial statements for the year ending December 31, 2009.

Stockholder ratification of the selection of Deloitte & Touche LLP as our independent auditors is not required by applicable law, our certificate of incorporation, our Bylaws or otherwise. However, the Board is submitting the selection of Deloitte & Touche 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 whether or not to retain Deloitte & Touche LLP. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of Natus and its stockholders.

Representatives of Deloitte & Touche 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.

Auditor Fees Incurred by Natus in 2008 and 2007

Fees for professional services provided by our independent registered public accounting firm in the past two years are:

	2008	2007
Audit Fees (1)	$ 1,579,000	$ 1,213,000
Audit-Related Fees (2)	124,000	406,000
Total	$ 1,703,000	$ 1,619,000

(1) Audit services fees are fees for the annual audit of our consolidated financial statements. Audit services fees also include the audit of our internal control over financial reporting, the review of the financial statements included in our Quarterly Reports on Form 10-Q. This category also includes fees for services that generally only the principal auditor reasonably can provide to a client, such as procedures related to the audit of income tax provisions and related valuation allowances, consents, and assistance with and review of documents filed with the Securities and Exchange Commission, and in 2008 included the review of Forms S-3, associated comfort letters, and other services related to two stock offerings.

(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.

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.

Our Board recommends a vote FOR the ratification of Deloitte & Touche LLP, an independent registered public accounting firm, as Natus auditors for the year ending December 31, 2009. If the appointment is not ratified, the Audit Committee will consider whether it should select other independent auditors.

Table of Contents

Vote Required

Ratification of the appointment of Deloitte & Touche LLP, an independent registered public accounting firm, as auditors for the year ending December 31, 2009 requires the affirmative vote of a majority of the shares of Natus common stock present in person or represented by proxy and entitled to be voted at the meeting.

Table of Contents

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

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. Our Code of Business Conduct and Ethics which applies to all Natus employees, including our principal executive officer and principal financial officer, is available on our Internet website at *http://www.natus.com.* The Code of Business Conduct and Ethics can be found in the Governance section of our Investor webpage. Our Code of Business Conduct and Ethics complies with the rules of the SEC and the listing standards of the Nasdaq Stock Market. We intend to disclose future amendment to certain provisions We have also adopted complaint procedures for accounting and auditing matters. Concerns relating to accounting, internal accounting controls or auditing matters may be brought to the attention of our Audit Committee through our anonymous reporting system described in the Code of Business Conduct and Ethics.

Board Independence

The Board has determined that, except for James B. Hawkins, our President and 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, 2008, our Board had six directors divided into three classes with each class being equal in number and with a three-year term for each class. As of December 31, 2008, the classes were comprised as follows:

Nominees for director whose terms will expire in 2009	Present directors whose terms expire in 2010	Present directors whose terms expire in 2011
Doris E. Engibous	Robert A. Gunst	Ken Ludlum
William M. Moore	James B. Hawkins	Mark D. Michael

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 http://www.natus.com. The charters can be found in the Governance section of our Investor webpage. During 2008, each director attended at least 75% of all Board and applicable committee meetings.

Name of Director	Board	Audit	Compensation	Nominating and Governance
Non-Employee Directors				
Doris E. Engibous	X		X	X
Robert A. Gunst	X	X	X	
Kenneth E. Ludlum*	X	X		
Mark D. Michael	X	X		X
William M. Moore	X		X	X
Employee Director				
James B. Hawkins	X			
Number of Meetings in 2008	8	8	6	4

Table of Contents

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 of directors on the same day as the annual meeting. All of our directors attended the 2008 annual meeting of stockholders.

Audit Committee

The Audit Committee oversees and monitors our accounting and financial reporting processes, our financial statement audits, audits of our internal controls over financial reporting, 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 2008 is included in this proxy statement. The charter of the Audit Committee is available on our corporate website.

Compensation Committee

The Compensation Committee is responsible for determining or recommending to the Board of Directors salaries, incentives and other forms of compensation for executive officers and other employees and administers various incentive compensation and benefit plans. The charter of the Compensation Committee is available on our corporate website.

Under Delaware law the Compensation Committee has the ability to delegate powers to a subcommittee of its members. The Board of Directors 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 of Directors 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

The Nominating and Governance Committee is expected to identify, evaluate and recommend nominees to the Board of Directors as well as evaluate the composition, organization and governance of the Board of Directors and its committees and to develop and recommend corporate governance principles and policies. The Nominating and Governance Committee also supervises the Board of Directors annual review of director independence and the Board s performance self-evaluation. The charter of the Nominating and Governance Committee is available on our corporate website.

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 Chairman of our Nominating and Governance Committee, or to the Chairman of the Board of Directors, care of: Corporate Secretary, Natus Medical Incorporated, 1501 Industrial Road, San Carlos, CA 94070.

Table of Contents

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 have, and be willing 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 with a publicly traded company, including experience as a proactive, diligent outside director is desirable;

- Proven ability to understand the dynamic between management and Board members, and to effectively manage that dynamic for the benefit of the Company is important;

- Experience with Wall Street, transactions, and managing operations is helpful; and

- Some understanding of the medical device market is also helpful.

Members of the Nominating and Governance Committee will use their professional contacts to identify nominees. If necessary, outside recruiters will also be used. The Chairman 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 of Directors 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.

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 of Directors, 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

Table of Contents

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,* 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 of Directors, 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.

On April 9, 2008, Natus offered and sold under our shelf registration statement on Form S-3 a total of 885,500 shares in an underwritten public offering, of which an aggregate of 175,000 shares were purchased by one or more of the entities of which Nierenberg Investment Management Company, Inc. is the general partner. One or more entities of which AWM Investment Company, Inc. is the general partner and investment advisor also participated in the offering. In connection with such offering, Natus also entered into a Registration Rights Agreement with the entities of which Nierenberg Investment Management Company, Inc. is the general partner.

Compensation Committee Interlocks and Insider Participation

Our Compensation Committee consists of Mr. Moore, Ms. Engibous and Mr. Gunst. Mr. Moore was our Chief Executive Officer from April 1989 to May 1992. During 2008, Mr. Hawkins, our president and chief executive officer, participated in discussions and decisions of the Compensation Committee regarding salaries and incentive compensation for our executive officers, but he was excluded from discussions regarding his own salary and incentive compensation. No interlocking relationship exists between any member of our Compensation Committee and any member of any other company s board of directors or compensation committee.

16

Table of Contents

Communicating with our Board

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, 1501 Industrial Road, San Carlos, California 94070. 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 April 17, 2009, 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 as of June 16, 2009 (60 days after April 17, 2009) 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, 1501 Industrial Road, San Carlos, California 94070. 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 27, 981,581 shares of common stock outstanding on April 17, 2009 plus the number of shares of common stock that such person or group had the right to acquire on or within 60 days after April 17, 2009.

Table of Contents

SECURITY OWNERSHIP TABLE

Name and Address	Shares Owned	Right to acquire beneficial ownership under options exercisable within 60 days	Total Owned	Percent of Class
Principal Stockholders				
Nierenberg Investment Management Company, Inc. 19605 NE 8th Street Camas, WA 98607 (1)	4,102,044		4,102,044	14.66%
Entities Affiliated with Barclays Global Investors 400 Howard Street San Francisco, CA 94105 (2)	2,076,814		2,076,814	7.42%
Directors, Nominees and Named Executive Officers				
D. Christopher Chung, M.D. (3)	22,500	272,500	295,000	1.04%
Doris E. Engibous (4)	6,750	57,500	64,250	*
Robert A. Gunst (4)	8,750	52,500	61,250	*
James B. Hawkins (5)	105,243	548,584	653,827	2.29%
Kenneth E. Ludlum (6)	54,450	10,000	64,450	*
Mark D. Michael (4)	11,750	57,500	69,250	*
William L. Mince (7)	70,000	112,500	182,500	*
William M. Moore (8)	114,452	77,500	191,952	*
Steven J. Murphy (9)	29,940	187,500	217,440	*
Kenneth M. Traverso (10)	98,257	372,500	470,757	1.66%
All Directors and Executive Officers as a group (10 persons) (11)	522,092	1,748,584	2,270,676	7.64%

* Represents holdings of less than one percent.

(1) Based on information reported on Form 4 filed with the Securities and Exchange Commission on March 31, 2009. Nierenberg Investment Management Company, Inc. is the general partner of several entities that hold our common stock, including the D^3 Family Bulldog Fund L.P., the D^3 Offshore Fund L.P., the D^3 Family Fund L.P., and the D^3 Family Canadian Fund L.P., collectively, the D^3 Family Funds. Nierenberg Investment Management Company has sole voting and investment power with respect to all of these shares.

(2) Based on information reported on Schedule 13-G filed with the Securities and Exchange Commission on February 5, 2009 by Barclays Global Investors, N.A. (Barclays Investors) and Barclays Global Fund Advisors (Barclays Advisors). Barclays Investors is a Bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934. Barclays Advisors is an Investment Advisor in accordance with Section 240.13d(b)(1)(ii)(E). Represents sole power to vote or to direct the vote over 1,627,535 shares and sole power to dispose or to direct the disposition of 2,076,814 shares.

(3) All shares subject to a right of repurchase by the Company that expires as to 6,250 shares in August 2009, 8,750 shares in August 2010, 5,000 shares in August 2011 and 2,500 shares in August 2012.

(4) Includes 3,000 shares subject to a right of repurchase by the Company that expires on June 10, 2009.

(5) Includes 74,500 shares subject to a right of repurchase by the Company that expires with respect to 18,500 shares in August 2009, 29,750 shares in August 2010, 16,875 shares in August 2011 and 9,375 shares in August 2012.

(6) Includes 4,000 shares held by The Ludlum Family Trust and 3,000 shares subject to a right of repurchase by the Company that expires on June 10, 2009.

(7) Includes 2,500 shares held in a 401(k) for Mr. Mince s benefit and 22,500 shares subject to a right of repurchase by the Company that expires as to 6,250 shares in August 2009, 8,750 shares in August 2010, 5,000 shares in August 2011 and 2,500 shares in August 2012.

Table of Contents

(8) Includes 99,892 shares held by The Moore Family Trust and 4,150 shares held by Mr. Moore s spouse. Also includes 3,000 shares subject to a right of repurchase by the Company that expires on June 10, 2009.

(9) Includes 22,500 shares that are subject to a right of repurchase by the Company that expires as to 6,250 shares in August 2009, 8,750 shares in August 2010, 5,000 shares in August 2011 and 2,500 shares in August 2012

(10) Includes 8,572 shares held by the Traverso Family Trust, 10,500 shares held in an IRA for the benefit of Mr. Traverso and 4,100 shares held in an IRA for the benefit of Mr. Traverso s spouse. 40,200 of the shares beneficially owned by Mr. Traverso have been pledged as collateral for a line of credit available to Mr. Traverso. Also includes 22,500 shares subject to a right of repurchase by the Company that expires as to 6,250 shares in August 2009, 8,750 shares in August 2010, 5,000 shares in August 2011 and 2,500 shares in August 2012.

(11) Includes all shares referenced in notes 3 through 10 above.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

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 2008, our directors, executive officers and 10% stockholders complied with all Section 16(a) filing requirements. 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.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

General

Our executive compensation program is designed to attract, as needed, individuals with the skills necessary for us to achieve our business plan, to reward those individuals fairly over time, to retain those individuals who continue to perform at or above the levels that we expect and to closely align the compensation of those individuals with the performance of our company on both a short-term and long-term basis.

Our Business and Our Compensation Philosophy

We believe that opportunities exist for us to increase stockholder value by increasing the revenue base, and by doing so the income earning capacity, of our company. We seek growth in two ways, through organic growth involving, primarily, the introduction of existing products into new markets and the internal development of new products, and through 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 growth than could be achieved through either of them 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. We have increased our revenue over five-fold from 2003 to 2008 and during this period completed eight acquisitions of companies with principal offices in four different countries, and 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 are 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. We believe that our ability to keep our senior executive team intact over the past five years reflects some measure of success of our compensation programs.

Attract Qualified Executives. While we have had no significant changes in our executive staff over the last five years, we understand that we may find it in our interests to, or may be required to, add new individuals to our executive team. This may especially be the case if we continue to grow our business and thereby increase the level of skills needed to manage it and the size of the management team charged with doing so. For us to be appropriately positioned to attract new talent as needed, we must be prepared to, and perceived as an employer that is willing to, offer competitive compensation.

Link Compensation to Achievement of Our Business Objectives. We believe that the single performance factor most capable of increasing stockholder value for the company is growth in earnings. As a result, 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 the earnings target incorporated into our annual business plan, and that if we achieve our plans our executives should be rewarded commensurately.

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 stockholder value.

Table of Contents

Elements of Compensation

Our executive officers compensation currently has two primary elements of compensation cash compensation, in the form of salary and annual incentive awards, and equity awards, in the form of stock options and restricted stock grants. 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, which are the basis for our annual incentive plans, represent reasonably challenging targets, the achievement of which should position us to increase stockholder value. For instance, our non-GAAP income before tax, which corresponds closely to pre-tax profit in our business plan, grew 35% in 2007 over 2006, but this did not meet the threshold for payment under our incentive plan and our executive team did not receive an incentive award for 2007. Our 2008 GAAP net income increased by 62% over the non-GAAP income reported for 2007, but as explained below this performance did not meet our targets, and consequently our executive officers received cash bonuses below their respective target bonuses for 2008. Equity awards are designed both for the provision of a competitive compensation package and for the purpose of providing a further incentive to our executives to increase stockholder value. We explain below with greater specificity how the Compensation Committee determines the amount paid or granted under such element.

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 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 focused on identifying companies with whom Natus competes directly for customers and employees, as well as other medical device companies, and in particular focus on companies headquartered in the San Francisco Bay Area. In addition, we selected companies that are generally within our size, limiting the peer group to companies whose annual revenue was within a range of approximately .5x to 2.0x our revenue run rate at the end of 2008. The peer companies that we reviewed are: Abaxis; Analogic; Aspect Medical Systems; Cardiac Science; Cholestech; Digirad; Possis Medical; Sonosite; Thoratec; Vital Signs; and Zoll Medical. For the purpose of establishing the components of compensation as described below relative to the peer group s compensation, Watson Wyatt, our compensation advisor, considered compensation for the most recently completed fiscal year for which the respective peer group companies have provided compensation information in their proxy materials. 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 the prior report and compensation changes reported by the peer companies in the following year or years in helping the Committee arrive at compensation levels relative to the peer group that are consistent with our goals as described below. The last formal report that was completed for the Committee was in 2007. Watson Wyatt 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 the Compensation Committee chair and in the capacity of the Compensation Committee s agent. To date, Watson Wyatt has not undertaken any projects for management.

In determining the compensation of each of our executive officers, other than the Chief Executive Officer, our Compensation Committee considers the recommendations of the Chief Executive Officer.

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 competitive with the corresponding compensation element paid by our peer companies. Within our cash compensation, the salary and incentive payments are linked in terms of

Table of Contents

benchmarking. We structure our salaries to be approximately the median of our peer companies and our incentive plan is designed so that cash bonus payments at the target level would provide aggregate cash compensation (that is, salary plus bonus) at approximately the median level of our peer companies and aggregate cash payments at approximately the 75th percentile of the peer group if incentive payments were paid at the highest level.

We used the median level as our benchmark for salaries and aggregate cash consideration, as we thought this would be sufficient to achieve our retention goals. We used the 75th percentile as the target for the high end of aggregate cash compensation because we adopt business plans that are a challenge for us to achieve, and we believe that if our executives exceed the demanding targets in these plans they should be eligible to receive higher levels of compensation. This being the case, we have not undertaken to determine the extent to which our performance targets are more or less difficult to achieve than those of our peer group because we did not think that it would be feasible to do so.

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 life of the option or the vesting period of the restricted stock, as the case may be. 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 below for the manner in which we make stock option and 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.

Cash Compensation Element

As noted above, we seek to pay base salaries that approximate the median level of our peer group. Annual increases in base salary are determined on an individual basis, primarily based on market data. We may also adjust salary up or down if we think such a change is merited on the basis of the officer s personal performance, but did not make any such adjustments for 2008 or 2007. Our executive officers received salary increases in 2008 ranging from 4% to 16% over their salaries for 2007.

Our 2008 incentive plan was, and our 2009 incentive plan is, based on the attainment of the pre-tax earnings measure that is contained in the business plan approved by our board of directors for the operation of our business for the full year. We choose this single metric because we believe that over time our earnings are the key driver of stockholder returns. We chose pre-tax earnings in particular as various factors, some of which we have limited ability to control, impact our effective tax rate. The complexity of our tax situation is further discussed in Management s Discussion and Analysis in our Annual Report on Form 10-K. Our business plan is based on factors of which our Board is aware at the time it is established. If our actual results are affected by discrete events that we did not anticipate, and if we believe these are events for which our management should not bear the responsibility or the benefit in the current period, the impact of such events is eliminated. We use this single metric for the determination of the incentive compensation for all of our executives, although we may adjust individual compensation based on our assessment of individual performance. We believe that the use of a single metric for all executives motivates our executives to work cohesively to achieve our goal and think the benefits of this concerted effort among our executive team outweigh the benefits that we could expect to achieve from the marginal additional performance that we could possibly motivate on an individual basis with personal performance targets.

Table of Contents

In December 2007, the Compensation Committee approved the 2008 cash incentive plan for executive officers of the Company based on the Company achieving the pre-tax profit contained in the 2008 business plan adopted by our Board of Directors. The target bonus for the Chief Executive Officer was set at 75% of 2008 base salary and the target bonus for Dr. Chung and Messrs. Mince and Murphy was set at 40% of their respective 2008 base salaries. The target bonus for Mr. Traverso was set at 27% of his 2008 base salary. The Chief Executive Officer s cash bonus could have ranged from 37.5% to a maximum of 112.5% of 2007 base salary, and the cash bonuses for Dr. Chung and Messrs. Mince and Murphy could have ranged from 20% to a maximum of 60% of their respective 2008 base salaries. Mr. Traverso s cash bonus could have ranged from 13.5% to 54% of his 2008 base salary. Our 2008 pre-tax profits, as adjusted to eliminate revenues and expenses associated with 2008 acquisitions, specified restructuring costs, interest income resulting from sales of the Company s common stock during 2008 and the impact of a change in an accounting principle, was approximately 88% of the pre-tax profit contained in the business plan and, therefore, incentive payments of 59% of the target bonus amounts were earned under the plan and paid in March 2009. At a February 2009 meeting the Compensation Committee approved cash compensation for Mr. Traverso, providing for commissions at specified percentages of sales, based on achieving a pre-determined threshold level of sales, and an incentive based on achievement of Company sales goals and on the attainment of the pre-tax earnings measure that is contained in the business plan approved by our board of directors for the operation of our business for the full year.

In December 2008, the Compensation Committee approved the 2009 salaries for the executive officers. No increases were made from their salaries for 2008. At a February 2009 meeting, the Committee approved the 2009 incentive plan. The plan has the same percentage minimums, targets and maximums for each of the executive officers as described above for the 2008 incentive plan. In addition to his 2009 base salary, Mr. Traverso will receive payments made pursuant to a sales commission plan that is paid on a regular basis with a target amount of $65,000, and a minimum and maximum of $32,500 and $97,500, respectively. Payment of any bonus under the 2009 incentive plan is, once again, based on the attainment of the pre-tax profits contained in the Board s 2009 business plan.

We believe that the 2009 business plan was developed by the Board using the same philosophy as was employed in setting the plans for 2007 and 2008. For 2008, our pre-tax profits were 87.8% of the pre-tax profit contained in the business plan resulting in bonus payments of 59% of target for each of the executive officers. For 2007 pre-tax profits did not meet the threshold of 85% of the business plan s pre-tax profits and no incentive awards were paid under our 2007 incentive plan for executives.

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 stock options and restricted stock, which in the case of options are granted with an exercise price equal to the fair market value on the date of grant. Stock options have value only if the stock price increases over time and the value of restricted stock awards increases over time as the stock price increases. In addition, equity grants help retain key employees because they typically cannot be fully exercised or are subject to a right of repurchase for four years and, in the case of options, if not exercised, are forfeited if the employee leaves the employ of the Company. The four-year vesting schedule also helps focus our employees on long-term performance. In 2006, our Board of Directors reduced the term of options that we grant from ten years to six years in order to reduce the expense of such options under SFAS 123R.

We intend to grant equity awards to our executives having an SFAS 123R value that is consistent with the median value of equity awards made by our peer group. Since 2006, we have sought to achieve this through stock option grants and restricted stock awards, with each form of the annual award representing approximately half of the targeted value for that year.

Equity-based compensation is granted to executive officers when the executive first joins us. Additional equity based compensation may be granted in connection with a significant change in responsibilities. Further,

Table of Contents

we typically make annual equity awards to our executive officers, as was the case in 2008 based on the factors noted above. The 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. We generally expect to make annual equity awards at the Compensation Committee meeting held in connection with the Company s annual meeting. 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.

Compensation of the Chief Executive Officer

Mr. Hawkins compensation in 2008 consisted of the same components as for our other executive officers, including a base salary, incentive compensation and equity compensation. The same principles were employed in establishing Mr. Hawkins salary, bonus opportunity and equity awards for 2008 as for the other executive officers, as described above. We arrived at Mr. Hawkins annual salary for 2008, which was an increase of 13% from his base salary for 2007, based on our goal of paying salaries at the median of our peer group companies. Mr. Hawkins bonus opportunity was based on achievement of pre-tax operating profit as discussed above. Our pre-tax profit for 2008 was 88% of plan resulting in a bonus payment of 59% of target to Mr. Hawkins. Mr. Hawkins received a restricted stock award of 37,500 shares and a stock option grant of 75,000 shares on June 9, 2008, which awards were designed to approximate the median level of CEO compensation in our peer group. For 2009, Mr. Hawkins salary was not changed from his salary in 2008.

Employment Agreements and Change in Control Arrangements

We entered into employment agreements with William M. Mince and Kenneth M. Traverso in November 2002, with D. Christopher Chung, M.D. in March 2003, with Steven J. Murphy in May 2003, all of which agreements were amended in December 2008, and with James B. Hawkins in April 2004, which agreement was amended in April 2008 and again in December 2008. 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, 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) 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

Table of Contents

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 of Directors 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 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) twelve months from the effective date of such termination, or (ii) the date upon which he or his eligible dependents become covered under similar plans.

Pursuant to the amendment to Mr. Hawkins employment agreement in April 2008, 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 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 (i) 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 (ii) 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; (iii) 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 (iv) 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, the executive 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 executive officers for 2008 were as follows: James B. Hawkins, $425,000; Steven J. Murphy, $250,000; D. Christopher Chung, $240,000; William M. Mince, $260,000; and Kenneth M. Traverso, $240,000.

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 1991 Stock Option Plan and our Amended and Restated 2000 Stock Awards Plan provide for the grant of options to purchase our common stock to employees and consultants. Prior to June 14, 2006, options granted

Table of Contents

to employees had a contractual term of ten years; options granted since June 14, 2006 have a contractual term of 6 years. The plans provide that after certain change in control events (as defined in the plan), 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. Thereafter, if 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 SFAS 123R, 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

Section 162(m) of the Internal Revenue Code of 1986, as amended, provides that compensation in excess of $1 million paid to the chief executive officer or to any of the other four most highly compensated executive officers of a company will not be deductible for federal income tax purposes unless such compensation is paid pursuant to one of the enumerated exceptions set forth in Section 162(m). Our primary objective in designing and administering compensation policies is to support and encourage the achievement of our long-term strategic goals and to enhance stockholder value. When consistent with this compensation philosophy, we also intend to attempt to structure compensation programs such that compensation paid thereunder will be tax deductible by Natus. In general, stock options granted under our stock option plans are intended to quality under and comply with the performance based compensation exemption provided under Section 162(m), thus excluding from the Section 162(m) compensation limitation any income recognized by executives pursuant to such stock options. The Compensation Committee intends to review periodically the potential impacts of Section 162(m) in structuring and administering our compensation programs.

Table of Contents

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, 2008[1].

Name and Principal Position	Year	Salary [2]	Stock Awards [3]	Option Awards [3]	Non-Equity Incentive Plan Compensation [4]	All Other Compensation [5]	Total
James B. Hawkins	2008	$ 425,000	$ 255,260	$ 297,311	$ 189,461	$ 3,466	$ 1,170,498
President and Chief Executive Officer	2007	375,000	$ 102,601	$ 287,230		3,466	768,297
	2006	340,000	18,159	299,492	$ 230,500	2,720	890,871
Steven J. Murphy	2008	$ 250,000	$ 79,264	$ 99,970	$ 59,439	$ 4,306	$ 492,979
Vice President Finance and Chief Financial	2007	225,000	35,144	86,640		4,306	351,090
Officer	2006	200,000	6,485	81,451	$ 81,400	2,576	371,912
D. Christopher Chung, M.D.	2008	$ 240,000	$ 79,264	$ 99,993	$ 57,061	$ 3,130	$ 479,448
Vice President Medical Affairs and R&D	2007	230,000	35,143	86,416		2,920	354,479
	2006	210,000	6,485	82,652	$ 85,500	2,605	387,242
William M. Mince	2008	$ 260,000	$ 79,264	$ 99,993	$ 61,816	$ 4,306	$ 505,379
Vice President North American Operations	2007	225,000	35,143	85,574		4,306	350,023
	2006	201,000	6,485	79,837	$ 81,800	2,578	371,700
Kenneth M. Traverso	2008	$ 309,011	$ 79,264	$ 99,993	$ 38,516	$ 3,183	$ 529,967
Vice President, Marketing and Sales	2007	299,000	35,143	86,416		3,130	423,689
	2006	297,000	6,485	85,380	$ 40,000	2,720	431,585

(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 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) For Mr. Traverso, the amount included in the Salary column consists of a base salary plus a commission that is based on sales of the Company that is paid quarterly during the year.

(3) The amounts included in the Stock Awards and Option Awards columns represent the compensation cost recognized by the Company in 2008 related to restricted stock awards and option awards, respectively, pursuant to Statement of Financial Accounting Standards No. 123R, except that in the case of option awards, a forfeiture rate of zero percent has been used. For a discussion of other valuation assumptions, see Notes 1 and 11 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2008. See the Grants of Plan Based Awards Table for more information regarding the equity awards granted by the Company in 2008. Refer to the Compensation Discussion and Analysis above for a discussion of these awards.

(4) For 2008, the amounts shown represent bonuses paid in March 2009 under our cash incentive plan for 2008 performance. No bonuses were paid under our cash incentive plan for 2007 performance. For 2006, the amounts shown represent amounts paid in March 2007 under our cash incentive plan for 2006 performance. 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 and life insurance premiums.

Table of Contents

GRANTS OF PLAN BASED AWARDS

This table discloses the actual numbers of stock options and restricted stock awards granted to our Named Executive Officers in 2008 and the grant date fair value of these awards. It also captures potential future payouts under the Company s 2008 non-equity incentive plan.

Name	Grant Date	Estimated Future Payouts Under Non-equity Incentive Plan Awards [1]			All Other Stock Awards: Number of Shares of Stock or Units [2]	All Other Option Awards: Number of Securities Underlying Options [3]	Exercise or Base Price of Option Awards ($/Share)	Grant Date Fair Value of Stock and Option Awards ($) [4]
		Threshold ($)	Target ($)	Maximum ($)				
Mr. Hawkins		$ 159,375	$ 318,750	$ 478,125				
	06/09/2008				37,500			$ 753,375
	06/09/2008					75,000	$ 20.09	474,533
Mr. Murphy		43,750	87,500	131,250				
	06/09/2008				10,000			200,900
	06/09/2008					20,000	$ 20.09	126,542
Dr. Chung		42,000	84,000	126,000				
	06/09/2008				10,000			200,900
	06/09/2008					20,000	$ 20.09	126,542
Mr. Mince		45,500	91,000	136,500				
	06/09/2008				10,000			200,900
	06/09/2008					20,000	$ 20.09	126,542
Mr. Traverso		32,400	70,200	105,300				
	06/09/2008				10,000			200,900
	06/09/2008					20,000	$ 20.09	126,542

(1) Each of the named executive officers other than Mr. Traverso had a range of payouts targeted for 2007 non-equity incentive compensation, based on the Company s performance as described in Compensation Discussion and Analysis above. No bonus payment was made for 2007 performance.

(2) Each of the named executive officers received a grant of restricted shares in 2008. The restricted shares vest as follows: 50% in August 2010, 25% in August 2011, and 25% in August 2012.

(3) Each of the named executive officers received a grant of stock options in 2008. Options were granted with an exercise price equal to the fair market value on the date of grant, which was based on the closing price of the Company s common stock immediately prior to the award. The shares vest ratably over a 48-month period and may be exercised for six years from the date of grant. Refer to the Compensation Discussion and Analysis above for a description of our equity based compensation practices.

(4) These amounts represent the grant date fair value, computed in accordance with SFAS no. 123R, of restricted stock, restricted stock units and stock options granted to our named Executive Officers in 2008. The assumptions we use in calculating these amounts are discussed in *Note 11 Share Based Compensation* of the Notes to our consolidated financial statements, except that the amounts reflected in the table above exclude the impact of estimated forfeitures of equity awards.

Table of Contents

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards [1]				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) [5]
Mr. Hawkins	9,375	75,595	$ 20.09	06/09/2014 [4]	74,500	$ 874,630
	22,500	37,500	15.92	06/13/2013 [4]		
	50,000	30,000	11.32	06/15/2012 [4]		
	105,000	5,030	10.03	06/09/2015 [3]		
	319,834		4.07	04/08/2014 [2]		
Mr. Murphy	2,500	17,500	$ 20.09	06/09/2014 [4]	22,500	$ 264,150
	7,500	12,500	15.92	06/13/2013 [4]		
	18,750	11,250	11.32	06/15/2012 [4]		
	43,750	6,250	10.03	06/09/2015 [3]		
	40,000		4.51	02/25/2014 [3]		
	35,000		4.11	05/30/2013 [3]		
	25,000		3.45	11/12/2012 [2]		
Dr. Chung	2,500	17,500	$ 20.09	06/09/2014 [4]	22,500	$ 264,150
	7,500	12,500	15.92	06/13/2013 [4]		
	18,750	11,250	11.32	06/15/2012 [4]		
	43,750	6,250	10.03	03/09/2015 [3]		
	50,000		4.51	02/25/2014 [3]		
	50,000		3.50	02/27/2013 [3]		
	25,000		3.45	11/12/2012 [3]		
	10,000		4.70	04/12/2012 [3]		
	50,000		6.25	12/12/2010 [2]		
Mr. Mince	2,500	17,500	$ 20.09	06/09/2014 [4]	22,500	$ 264,150
	7,500	12,500	15.92	06/13/2013 [4]		
	18,750	11,250	11.32	06/15/2012 [4]		
	43,750	6,250	10.03	06/09/2015 [3]		
	25,000		4.51	02/25/2014 [2]		
Mr. Traverso	2,500	17,500	$ 20.09	06/09/2014 [4]	22,500	$ 264,150
	7,500	12,500	15.92	06/13/2013 [4]		
	18,750	11,250	11.32	06/15/2012 [4]		
	43,750	6,250	10.03	06/19/2015 [3]		
	50,000		4.51	02/25/2014 [3]		
	50,000		3.50	02/27/2013 [3]		
	50,000		3.45	11/12/2012 [3]		
	25,000		4.15	06/14/2012 [3]		
	10,000		5.69	10/23/2011 [3]		
	100,000		6.25	12/12/2010 [2]		

(1) Initial grants of options to the named executive officers upon employment vest 6/48ths 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 an initial grant of options upon employment that expire 10 years from the date of grant.
(3) Represents subsequent grant of options granted prior to June 14, 2006 that expire 10 years from the date of grant.
(4) Represents subsequent grant of options granted on or after June 14, 2006 that expire 6 years from the date of grant.

(5) The amounts in this column represent the value of these awards based on the closing price of our stock on December 31, 2008 of $11.74.

Table of Contents

OPTION EXERCISES AND STOCK VESTED

The following table sets forth certain information regarding options and stock awards exercised and vested, respectively, during 2008 for the named executive officers.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#) [1]	Value Realized on Vesting ($)
Mr. Hawkins	145,166	$ 2,900,831	7,000	$ 162,470
Mr. Murphy			2,500	58,025
Dr. Chung			2,500	58,025
Mr. Mince			2,500	58,025
Mr. Traverso			2,500	58,025

(1) The named executive officers were granted restricted shares on June 9, 2008 that vest 50% in August 2010, 25% in August 2011, and 25% in August 2012.

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, 2008.

Name	Cash Severance Payment	Continuation of Medical and Welfare Benefits	Acceleration of Equity Awards [1]	Total Termination Benefits
Mr. Hawkins	$ 425,000	$ 22,661	$ 887,230	$ 1,334,891
Mr. Murphy	250,000	16,317	279,563	545,880
Dr. Chung	240,000	26,726	279,563	546,289
Mr. Mince	260,000	16,996	279,563	556,559
Mr. Traverso	240,000	26,726	279,563	546,289

(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, 2008 of $11.74.

Table of Contents

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, 2008 to directors who are not employees:

Name	Fees Earned or Paid in Cash ($) [1]	Stock Awards ($) [2]	Option Awards ($) [3, 4]	Total ($)
Ms. Engibous	$ 41,000	$ 54,206	$ 31,857	$ 127,063
Mr. Gunst	70,000	54,206	31,857	156,063
Mr. Ludlum	56,000	54,206	31,857	142,063
Mr. Michael	50,000	54,206	31,857	136,063
Mr. Moore	47,000	54,206	31,857	133,063

(1) Fees earned and paid in cash were based on the following retainer and payment schedule:

Annual retainer	$ 20,000
Annual retainer for service as Chairman of the Board	20,000
Annual retainer for service as Chairman of the Audit Committee	13,000
Annual retainer for service as Chairman of the Compensation Committee	6,000
Annual retainer for service as Chairman of the Nominating & Governance Committee	4,000
Payment for each Board meeting attended	1,500
Payment for each Audit Committee meeting attended	1,500
Payment for each Committee meeting attended (excluding the Audit Committee)	1,000

In addition, we pay the Audit Committee Chairman $500 per meeting attended for attendance at Sarbanes-Oxley Oversight meetings.

(2) In June 2008, each non-employee director received a restricted stock award of 3,000 shares that vests in June 2009. The grant date fair value of these awards, computed in accordance with SFAS 123R, was $60,267. The assumptions we use in calculating this amount are discussed in Note 11 of the notes to our consolidated financial statements included in our Annual Report on Form 10-K, except that this amount excludes the impact of estimated forfeitures of equity awards. In 2007, each non-employee director received a restricted stock award of 2,500 shares that vested in June 2008. The amount in this column shows the expense we recognized in 2008 for restricted stock awards.

(3) The amounts in this column reflect the expenses related to options granted to our non-employee directors recognized in our 2008 financial statements pursuant to Statement of Financial Accounting Standards No. 123R, except that a forfeiture rate of zero percent has been used. For a discussion of other valuation assumptions, see Notes 1 and 11 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2008. All of our non-employee Directors received an initial grant of 30,000 options upon their appointment to the board that vests ratably over a 36-month period. Any non-employee directors appointed to the board in the future will receive an initial grant of 10,000 shares that vests ratably over a 36-month period. Prior to December 31, 2006, each director received an additional grant of 10,000 options annually. For each of 2007 and 2008, each director received a grant of 5,000 options and restricted stock as discussed above. All options granted to directors other than their initial grant vest ratably over a 12-month period. Stock option grants were established using the same procedure for timing and price as is used for employees. Refer to the Compensation Discussion and Analysis above for a description of our equity based compensation practices. The grant date fair value of the options granted to our non-employee directors in 2008, computed in accordance with SFAS 123R, was $31,445. The assumptions we use in calculating this amount are discussed in Note 11 of the notes to our consolidated financial statements included in our Annual Report on Form 10-K, except that this amount excludes the impact of estimated forfeitures of equity awards.

Table of Contents

(4) At December 31, 2008, Ms. Engibous had 57,500 options and 3,000 unvested restricted shares outstanding, Mr. Gunst had 52,500 options and 3,000 unvested restricted shares outstanding, Mr. Ludlum had 10,000 options and 3,000 unvested restricted shares outstanding, Mr. Michael had 57,500 options and 3,000 unvested restricted shares outstanding, and Mr. Moore had 77,500 options and 3,000 unvested restricted shares outstanding.

Table of Contents

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Compensation Committee Report

The Compensation Committee of the Board of Directors 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, Chairman
DORIS E. ENGIBOUS
ROBERT A. GUNST

Table of Contents

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Our 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 of Directors in its oversight of our financial reporting process and administration of corporate policy in matters of accounting and control.

The Board of Directors has adopted a written Audit Committee Charter. As stated in the charter, our management is responsible for the preparation, presentation and integrity of our 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 our independent auditors with respect to such financial statements. Our 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 our independent auditors, who are responsible for auditing our financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States. The Audit Committee meets with our independent auditors, with and without management present, to discuss the results of their examination, evaluations of our internal controls and the overall quality of our 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 our independent auditors;

Discussed the Company s internal controls over financial reporting with management and our independent auditors;

Discussed with our independent auditors any matters required to be discussed by Statement on Auditing Standards No. 114, *The Auditor s Communication with Those Charged With Governance*;

Received and discussed the written disclosures and the letter from our 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 our 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 our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, for filing with the Securities and Exchange Commission.

Respectfully submitted by:
THE AUDIT COMMITTEE

Kenneth E. Ludlum, Chairman
Robert A. Gunst
Mark D. Michael

Table of Contents

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 mark, sign, date, and return the accompanying proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose.

THE BOARD OF DIRECTORS OF

NATUS MEDICAL INCORPORATED

Table of Contents

Table of Contents