

NATUS MEDICAL INC
Form DEFC14A
November 02, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

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

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:
 o Preliminary proxy statement
 o Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 x Definitive Proxy Statement
 o Definitive Additional Materials
 o 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.
 o 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 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:

o 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:

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Natus Medical Incorporated
6701 Koll Center Parkway Suite 120
Pleasanton, CA 94566
www.natus.com
(925) 223-6700

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO OUR STOCKHOLDERS:

A Special Meeting of Stockholders of Natus Medical Incorporated will be held on December 13, 2018, at 8:00 a.m., Pacific Time, at the Company's headquarters, located at 6701 Koll Center Parkway, Suite 120, Pleasanton, California, for the following purposes:

1. To approve the 2018 Equity Incentive Plan (the "2018 Plan").

2.

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 (the "Notice of Internet Availability") notice with instructions for accessing the proxy materials and voting via the Internet or by telephone. The notice also provides information on how stockholders may obtain paper copies of our proxy materials if they so choose. We expect to mail to stockholders the Notice of Internet Availability on or about November 4, 2018, and these proxy materials were first sent on or about November 2, 2018 to stockholders entitled to vote at the special meeting.

The foregoing item of business is more fully described in the Proxy Statement accompanying this Notice.

Stockholders who owned shares of our stock at the close of business on October 31, 2018, 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 6701 Koll Center Parkway Suite 120, Pleasanton, CA, 94566. A stockholder may examine the list for any legally valid purpose related to the meeting. The list will also be available during the special meeting for inspection by any stockholder present at the meeting.

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

For the Board of Directors of
Natus Medical Incorporated

JONATHAN KENNEDY
Chief Executive Officer
Pleasanton, California
November 2, 2018

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON December 13, 2018

The proxy materials, including this Notice, the accompanying Proxy Statement, and a means to vote your shares are available at <https://materials.proxyvote.com/639050>.

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

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If you have any questions or require assistance with voting your shares, please contact our proxy solicitor using the information set forth below:

Morrow Sodali LLC
470 West Avenue
Stamford, CT 06902
Call Toll-Free 1-800-662-5200

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INTERNET AVAILABILITY OF PROXY MATERIALS

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

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QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Q: Why am I receiving these materials?

The Board of Directors (the “Board”) of Natus Medical Incorporated, (“Natus”, the “Company”, “we”, “our”), a Delaware corporation, is providing these proxy materials to you in connection with a special meeting of stockholders that will take place on December 13, 2018. As a stockholder as of the record date, October 31, 2018, you are invited to attend the special meeting, and are entitled, and requested, to vote on the items of business described in this proxy statement. We are distributing the proxy materials on or about November 2, 2018.

Q: What information is contained in this proxy statement?

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

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

A: Stockholders may request a free copy of our 2017 Special Report on Form 10-K from:

Natus Medical Incorporated

Attn: Investor Relations

6701 Koll Center Parkway Suite 120

Pleasanton, CA 94566

(925) 223-6700

Our 2017 Special 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 2017 Special Report on Form 10-K if specifically requested in writing.

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

A: The following item will be voted on at the special meeting:

To approve the 2018 Equity Incentive Plan.

Q: How does the Board recommend that I vote?

A: Our Board recommends that you vote your shares “FOR” Proposal 1, approval of the 2018 Equity Incentive Plan.

Q: Why is the Company holding this Special Meeting to approve this item?

We have determined that there are insufficient shares remaining under our existing 2011 Stock Awards Plan to allow us to make the equity awards to employees, including our executive officers, that we customarily make in January of each year.

Q: What shares can I vote?

Each share of Natus common stock issued and outstanding as of the close of business on October 31, 2018, the Record Date, is entitled to be voted on all items being voted upon at the special meeting. You may vote all shares owned by you as of that date, including (i) shares held directly in your name as the stockholder of record, and (ii) shares held by you as the beneficial owner through a broker, trustee, or other nominee, such as a bank. More information on how to vote these shares is contained in this proxy statement. On the Record Date we had approximately 33,781,323 shares of common stock issued and outstanding, and each outstanding share is entitled to one vote.

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

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

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

Beneficial Owner - If your shares are held in a brokerage account or by another nominee you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you together with a voting instruction

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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 special 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 special meeting?

Shares held in your name as the stockholder of record may be voted in person at the special 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 special 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 special meeting?

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the meeting. If you are a stockholder of record, you may vote by submitting a proxy. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, trustee or other nominee. The Notice of Internet Availability of Proxy Materials provides instructions on how to access your proxy card, which contains instructions on how to vote via the Internet or by telephone. For those stockholders who receive a paper proxy card, directions on how to vote are set forth below and included on your proxy card. For shares held beneficially in street name, the voting instruction card provided by your broker, trustee or other nominee will include instructions on how to vote by telephone, Internet or by mail.

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

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

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

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

You may change your vote at any time prior to the vote at the special 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 special meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, trustee or other nominee, or, if you have obtained a legal proxy from your nominee giving you the right to vote your shares, by attending the special meeting and voting in person.

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

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

Q: How are votes counted?

A: For each matter presented to special meeting for approval, you may vote “FOR,” “AGAINST,” or “ABSTAIN”. If you elect to abstain from voting on this proposal, the abstention will have the same effect as an “AGAINST” vote with respect to the proposal.

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If you are a stockholder of record and sign and return your proxy card or voting instruction form without giving specific voting instructions, your shares will be voted as recommended by our Board. If you are a beneficial holder and do not return a voting instruction form, your broker will not be able to vote on any matter before the special meeting.

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

A: Approval of the 2018 Equity Incentive Plan will each require 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 special meeting.

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

Generally, broker non-votes occur when shares held by a broker, bank, or other nominee in “street name” for a beneficial owner are not voted with respect to a particular proposal because the broker, bank, or other nominee (i) has not received voting instructions from the beneficial owner and (ii) lacks discretionary voting power to vote those shares with respect to that particular proposal.

A broker is only entitled to vote shares held for a beneficial owner on “routine” matters, without instructions from the beneficial owner of those shares. On the other hand, absent instructions from the beneficial owner of such shares, a broker is not entitled to vote shares held for a beneficial owner on “non-routine” matters. Proposal 1 is a non-routine matter. Thus, if you hold your shares in street name, it is critical that you cast your vote if you want it to count in the approval of the matter being presented at the special meeting.

Broker non-votes are counted for purposes of determining whether or not a quorum exists for the transaction of business, but will not be counted for purposes of determining the number of shares represented and voted with respect to an individual proposal, and therefore will have no effect on the outcome of the vote on an individual proposal.

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

Other than the item of business described in this proxy statement, we are not aware of any other business to be acted upon at the special meeting. If you grant a proxy using the enclosed form, the persons named as proxy holders, Jonathan A. Kennedy and Drew Davies will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting.

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

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

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

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

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

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Relations, 6701 Koll Center Parkway Suite 120, Pleasanton, CA, 94566, or by calling us at (925) 223-6700.

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

Natus is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. If you choose to access the proxy materials and/or vote over

A: 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

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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 special meeting?

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

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

A: Stockholder Proposals: For a stockholder proposal to be considered for inclusion in the Natus proxy statement for the 2019 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 18, 2019. If the date of the 2019 Annual Meeting is moved more than 30 days before or after the anniversary date of the 2018 Annual Meeting, the deadline for inclusion of proposals in the Natus proxy statement is instead a reasonable time before we begin to print and mail our proxy materials. Such proposals also will need to comply with Securities and Exchange Commission regulations under Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Proposals should be addressed to: Natus Medical Incorporated, Attn: Corporate Secretary, 6701 Koll Center Parkway, Suite 120, Pleasanton, CA 94566.

For a stockholder proposal that is not intended to be included in the Natus proxy statement under Rule 14a-8, the stockholder must provide the information required by, and give timely notice to the Corporate Secretary of Natus in accordance with, Section 2.3(b) of the Company's Bylaws. For the 2019 Annual Meeting, any such notice must be received by the Company not later than the close of business on April 23, 2019 (the "Submission Deadline"), provided that if the date of the 2019 Annual Meeting is moved more than 30 days from the anniversary date of the 2018 Annual Meeting then such notice must be received a reasonable time before we begin the solicitation of proxies for the 2019 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 2019 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" in the proxy statement for this year's annual meeting.

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 the Submission Deadline, provided that if the date of the 2019 Annual Meeting is moved more than 30 days from the anniversary date of the 2018 Annual Meeting, then such notice must be received a reasonable time before we begin the solicitation of proxies for the 2019 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.

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PROPOSAL

The proposal being presented for shareholder action is set forth on your proxy card and is 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

APPROVAL OF THE NATUS MEDICAL INCORPORATED 2018 EQUITY INCENTIVE PLAN

General

We are asking our stockholders to approve the amended and restated Natus Medical Incorporated 2018 Equity Incentive Plan, referred to as the 2018 EIP, which was approved by the Board on October 29, 2018. If approved by our stockholders, the 2018 EIP will amend and restate our existing Natus Medical Incorporated 2011 Stock Awards Plan, referred to as the 2011 Plan. Outstanding awards under the 2011 Plan will remain outstanding, unchanged and subject to the terms of the 2011 Plan and the respective award agreements, until the expiration of such awards in accordance with their terms.

We are requesting approval of 3,000,000 additional shares for the 2018 EIP. Any shares subject to awards that are cancelled, forfeited, repurchased or that expire by their terms without shares being issued, including shares subject to awards granted under the 2011 Plan that are outstanding on the effective date of the 2018 EIP, will also be returned to the pool of shares available for grant and issuance under the 2018 EIP.

Approval of the 2018 EIP will allow us to continue to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to our success, by offering them an opportunity to participate in our future performance. We believe that the adoption of the 2018 EIP is in the best interests of Natus because of the continuing need to provide restricted stock and restricted stock units, stock options, performance-based awards and other equity-based incentives to attract and retain qualified personnel and to respond to relevant market changes in equity compensation practices. The use of equity compensation has historically been a significant part of our overall compensation philosophy and is a practice that we plan to continue. The 2018 EIP will serve as an important part of this practice and is a critical component of the overall compensation package that we offer to retain and motivate our service providers. In addition, awards under the 2018 EIP will provide our service providers an opportunity to acquire or increase their ownership stake in us, and we believe this aligns their interests with those of our stockholders, creating strong incentives for our employees to work hard for our future growth and success. If Proposal No. 1 is not approved by our stockholders, we believe our ability to attract and retain the talent we need to compete in our industry would be seriously and negatively impacted, and this could affect our long-term success. We firmly believe that a broad-based equity program is a necessary and powerful employee incentive and retention tool that benefits all of our stockholders. Equity ownership programs put employees' interests directly into alignment with those of other stockholders, as they reward employees based upon stock price performance. Without a sizable but market-based equity incentive program, we believe we would be at a disadvantage against competitor companies to provide the total compensation package necessary to attract, retain and motivate the employee talent critical to our future success.

A broad-based equity incentive plan focuses our employees who receive grants on achieving strong corporate performance, and we have embedded in our culture the necessity for employees to think and act as stockholders. Very recently we awarded performance based restricted stock and stock options to our new Chief Executive Officer and Chief Financial Officer. In the past we have also awarded stock options to employees, included executive officers, and directors. We believe these awards to be an important component of our long-term employee incentive and retention plan and that they have been very effective in enabling us to attract and retain the talent critical for an innovative and growth-focused company. As of September 30, 2018, the Company has stock options outstanding to purchase approximately 208,967 shares of common stock and an aggregate of approximately 376,964 unvested shares of restricted stock and unvested restricted stock units. As of September 30, 2018, the Company's outstanding stock options have a weighted average per share exercise price of \$24.1096 and a weighted average remaining contractual term of 3.78 years. Accordingly, our approximately 585,931 outstanding awards (not including awards under our employee stock purchase plan) plus 3,000,000 shares proposed to be available for future grant under our 2018 EIP (not including under our employee stock purchase plan) as of November 2, 2018 represent approximately 9.8% of our

outstanding shares.

Approval of the 2018 EIP is intended to enable us to achieve the following objectives:

The continued ability to offer stock-based incentive compensation to our eligible employees and non-employee directors. Without restricted stock and restricted stock units and stock options or other forms of equity incentives, we would be forced to consider cash replacement alternatives to provide a market-competitive total compensation package necessary to attract, retain and motivate the employee talent critical to our future successes. These cash replacement alternatives could, among other things, reduce the cash available for investment in growth and development of new and existing products, cause a loss of motivation by employees to achieve superior performance over the longer term and reduce the incentive of employees to remain employed with Natus during the vesting of the equity grant. Equity-based awards also directly align a portion of the compensation of our employees with the economic interests of our stockholders.

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The ability to maintain an equity incentive plan that can attract and retain employee talent while keeping the rate of dilution low. We are requesting approval of an additional 3,000,000 shares for the 2018 EIP. We believe that this share reserve under the 2018 EIP Plan will be sufficient for us to make anticipated grants of equity incentive awards under our current compensation program for the next three years. However, a change in business conditions, Company strategy or equity market performance could alter this projection.

The ability to offer a variety of stock compensation awards including stock options, restricted stock awards, stock bonus awards, stock appreciation rights, restricted stock units, and performance awards. The variety of awards available under the 2018 EIP continues to give us flexibility to respond to market-competitive changes in equity compensation practices.

The ability to provide a new equity plan that reflects best current compensation practices. In connection with the amendment and restatement of the 2011 Plan, we have revisited the terms of our equity plan to include provisions that we believe reflect the best current compensation practices and that implement strong governance-related protections for our stockholders, including:

Administration. The 2018 EIP will be administered by the Compensation Committee of the Board, which is comprised entirely of independent non-employee directors.

Larger pool reduction ratio for awards other than stock options. Any stock options or stock appreciation rights granted under the 2018 EIP will reduce the pool available for award grants on a 1:1 ratio, however, any other type of award, including restricted stock units, will reduce the pool at a faster 2.5:1 ratio.

No evergreen provision; stockholder approval is required for additional shares. The 2018 EIP does not contain an annual “evergreen” provision. The 2018 EIP authorizes a fixed number of shares, so that stockholder approval is required to increase the maximum number of securities that may be issued under the 2018 EIP.

Exchange or Repricing Programs are not allowed without stockholder approval. The 2018 EIP prohibits the repricing or other exchange for plan awards or cash of underwater stock options and stock appreciation rights without prior stockholder approval.

Minimum vesting requirements. The 2018 EIP provides that no plan awards will vest prior to one-year from grant (subject to a 5% carve-out as described below).

Equity-based clawback provision for our executive officers. The 2018 EIP provides that all plan awards held by an executive officer will be subject to clawback, recoupment or forfeiture in certain events.

Plan does not contain single-trigger plan provision. The 2018 EIP does not provide for the automatic “single trigger” vesting acceleration of plan awards in the event of our change of control.

No discount stock options or stock appreciation rights. All stock options and stock appreciation rights will have an exercise price equal to at least the fair market value of our common stock on the date the stock option or stock appreciation right is granted, except in certain situations in which we are assuming or replacing options granted by another company that we are acquiring.

No “liberal” share counting provisions. In general, when awards granted under the 2018 EIP expire or are canceled without having been fully exercised, the shares reserved for those awards will be returned to the share reserve and will be available for future awards. However, shares that are tendered by holders or withheld by us to pay the exercise price of a stock option or stock appreciation right, or to satisfy tax withholding obligations in connection with the exercise or vesting of any plan awards will not be available for future awards. If a stock appreciation right is

exercised, we will subtract from the shares available under the 2018 EIP the full number of shares subject to the portion of the stock appreciation right actually exercised, regardless of the number of shares actually used to settle such stock appreciation right upon exercise. In addition, shares repurchased with the proceeds of an option exercise price may not again be granted or issued under the 2018 EIP.

• Annual limits on non-employee director grants. The 2018 EIP includes fixed limits as to the maximum number of awards that may be granted in each fiscal year of the Company to non-employee directors.

• No tax gross-ups.