

NATUS MEDICAL INC
Form DEF 14A
April 15, 2019

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
Filed by a Party other than the Registrant
Check the appropriate box:
Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material under §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)

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No fee required.

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(3) Filing Party:

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Natus Medical
Incorporated

2019

Notice of Annual Meeting and
Proxy Statement

April 15, 2019

Dear Natus Shareholders:

The Natus Board of Directors, management team and more than 2,000 Natus employees invite you to attend our 2019 Annual Meeting of Shareholders (the “Annual Meeting”), which will be held at 5995 Pacific Mesa Court, San Diego, California 92121 on June 5, 2019 at 8:00 a.m. (PT).

We have made significant changes to your company since our last shareholder’s meeting. These changes include a new executive management team, a new organization structure, and the appointment of two new directors to the board. The goal of these changes is to further strengthen our market position, provide increased quality and innovation in our products and improve our financial performance. We are very excited about our future opportunities and look forward to reporting our progress in the year ahead.

The attached Notice of 2019 Annual Meeting of Shareholders and Proxy Statement includes further details about the business that will be conducted at our Annual Meeting. Shareholders may also access these materials at the Investor Relations page on our website at www.natus.com.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. We urge you to promptly vote and submit your proxy via the Internet, by phone, or by signing, dating and returning the enclosed proxy card in the enclosed envelope. If you attend the Annual Meeting, you can vote in person even if you previously submitted your proxy.

Sincerely,

Jonathan A. Kennedy
President & Chief Executive Officer

April 15, 2019

Dear Natus Shareholders:

Thank you for your investment in Natus Medical. We are proud to make important products and devices that enhance patient care and the quality of life for people around the world.

It is a privilege to serve as a member of your Board -- and since July 2018, to serve as Board Chairperson. My Board colleagues and I are inspired by the opportunities ahead for Natus and believe that the operational enhancements being deployed this year will result in a stronger and more efficient Natus. We look forward to providing high-quality medical devices and delivering value for all stakeholders for many years to come.

The new Board has worked diligently to develop a robust shareholder engagement program, comprised of proactive and ongoing conversations with our major shareholders. Since the 2018 Annual Shareholders Meeting, management and I have contacted 100% of our top active shareholders, representing more than 80% of our outstanding shares. These shareholder meetings focused on corporate governance practices, executive compensation, board refreshment, risk oversight and the "One Natus" reorganization effort. The feedback and suggestions we received were shared with the full board and were instrumental to the governance and compensation program changes the Board has now approved. Specifically, in response to shareholder feedback and in conjunction with a review of our governance practices, the Board has made or proposed the following:

Governance Changes:

- Adopted proxy access permitting a shareholder, or group of 20 shareholders, owning 3% of our shares for at least three years to nominate the greater of two directors or 20% of the board.
- Established share ownership guidelines for executives and directors.
- Requested declassification of the Board and, as a result, filed a management proposal to do so – more information can be found on page [5](#).
- Requested the removal of cumulative voting and, as a result, filed a management proposal to do so – more information can be found on page [7](#).

Compensation Program Changes:

- Our long-term incentive equity awards now include a performance-based component.
- Adopted a clawback policy and stock ownership guidelines.

In addition to revising our governance, your Board of Directors remains committed to ongoing refreshment. As part of this commitment, the Board actively reviews the needs of the company and the skills of our directors to ensure that the Board's decisions are enriched by a diversity of experiences and perspectives. In February 2019, the Board was pleased to announce the additions of Alice D. Schroeder, former CEO and Chair of WebTuner Corporation, and Thomas J. Sullivan, President and CEO of A&E Medical Corporation. Alice and Tom each bring a wealth of relevant experience, and further enhance the overall skill profile of your Board.

On behalf of the Natus Medical Board of Directors, thank you for your continued support.

Sincerely,

Barbara R. Paul, M.D.
Chairperson of Board

NOTICE OF 2019 ANNUAL MEETING OF SHAREHOLDERS AND NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

Date and Time: Place:

June 5, 2019 5995 Pacific Mesa Court
8:00 a.m. San Diego, CA 92121

Proposals to be voted on at the 2019 Annual Meeting of Shareholders (the “Annual Meeting”):

- Proposal 1. Amendment to our Restated Certificate of Incorporation to declassify the Board of Directors.
- Proposal 2. Amendment to our Restated Certificate of Incorporation to eliminate cumulative voting.
- Proposal 3. Election of three director nominees named in the attached Proxy Statement to serve until either the 2022 annual meeting (if Proposal 1 is not adopted) or the 2020 annual meeting (if Proposal 1 is adopted) and, in either case, until their respective successors are duly elected and qualified.
- Proposal 4. Approval, on an advisory basis, of the named executive officer compensation disclosed in the attached Proxy Statement.
- Proposal 5. Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019.

And any other business that properly comes before the meeting or any adjournment or postponement thereof by or at the direction of the Board of Directors.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Record Date: Shareholders who owned shares of our common stock at the close of business on April 12, 2019, are entitled to attend and vote at the Annual Meeting. A complete list of these shareholders will be available during normal business hours for ten days prior to the Annual Meeting at our corporate headquarters located at 6701 Koll Center Parkway Suite 120, Pleasanton, CA 94566. A shareholder may examine the list for any purpose germane to the Annual Meeting. The list will also be available during the Annual Meeting for inspection by any shareholder present at the Annual Meeting.

Your vote is very important. Please submit your proxy or voting instructions as soon as possible to ensure that your shares will be represented at the Annual Meeting whether or not you expect to attend the Annual Meeting.

REVIEW THE PROXY STATEMENT AND VOTE IN ONE OF FOUR WAYS:

VIA THE INTERNET

Visit the website listed on your proxy card or voting instruction form.

BY TELEPHONE

Call the telephone number on your proxy card or voting instruction form.

BY MAIL

Sign, date, and return the enclosed proxy card or voting instruction form.

IN PERSON

Attend the annual meeting in person and vote by ballot.

By Order of the Board of Directors,

Barbara R. Paul, M.D.

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Chairperson of the Board of Directors

April 15, 2019

Important notice regarding the availability of proxy materials for the
2019 Annual Meeting of Shareholders to be held on June 5, 2019:

Our Proxy Statement and 2018 Annual Report to shareholders are available on the Internet at www.proxyvote.com

Natus Medical Incorporated

6701 Koll Center Parkway Suite 120, Pleasanton, CA 94566

www.natus.com

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Note Regarding Forward-Looking Statements:

This proxy statement contains forward-looking statements, which are generally statements that are not historical facts. Forward-looking statements can be identified by the words “expects”, “anticipates”, “believes”, “intends”, “estimates”, “plans”, “will”, “outlook” and similar expressions. Forward-looking statements are based on management's current plans, estimates, assumptions and projections, and speak only as of the date they are made. These forward-looking statements include, without limitation, statements regarding the anticipated timing and benefits of the implementation of the Company's new “One Natus” organizational structural, the expected benefits of recent and anticipated corporate governance initiatives and the Company's strategies for driving growth and long-term value for our shareholders. These statements relate to current estimates and assumptions of our management as of the date of this proxy statement and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance, or achievements to differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements are only predictions and the actual events or results may differ materially. Natus cannot provide any assurance that its future results or the results implied by the forward-looking statements will meet expectations. The Company's future results could differ materially due to a number of factors, including the ability of the Company to realize the anticipated benefits from the new structure and corporate governance initiatives, its consolidation strategy and recent and anticipated governance initiatives, effects of competition, the Company's ability to successfully integrate and achieve its profitability goals from recent acquisitions, the demand for Natus products and services, the impact of adverse global economic conditions and changing governmental regulations, including foreign exchange rate changes, on the Company's target markets, the Company's ability to expand its sales in international markets, the Company's ability to maintain current sales levels in a mature domestic market, the Company's ability to control costs, risks associated with bringing new products to market, and the Company's ability to fulfill product orders on a timely basis, as well as those factors identified under the heading Item 1A “Risk Factors” in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018. Natus disclaims any obligation to update information contained in any forward looking statement, except as required by law.

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PROXY SUMMARY

This summary highlights important information you will find in this Proxy Statement regarding Natus and the upcoming Annual Meeting. This summary does not contain all of the information that you should consider. Please carefully review the complete Proxy Statement before you vote.

SHAREHOLDER VOTING PROPOSALS (Page 1)

Proposal	Board's Voting Recommendation	Annual Meeting of Shareholders
Proposal 1: Amendment to our Restated Certificate of Incorporation to declassify our Board of Directors	FOR	Date and Time: June 5, 2019 8 a.m. PT
Proposal 2: Amendment to our Restated Certificate of Incorporation to eliminate cumulative voting	FOR	Place: 5995 Pacific Mesa Court
Proposal 3: Election of Directors	FOR each nominee	San Diego, CA 92121
Proposal 4: Advisory Vote to Approve Named Executive Officer Compensation	FOR	Record Date: April 12, 2019
Proposal 5: Ratification of Appointment of Independent Registered Public Accounting Firm	FOR	

YOUR BOARD OF DIRECTORS (THE "BOARD") (Page 9)

Your Board is also committed to implementing operational changes designed to support the profitable growth of the Company. We have announced, and are continuing to implement, a new organizational structure that includes recent steps to:

Consolidate our Neuro, Newborn Care and Otometrics Business Units into "One Natus". This initiative creates globally-led operational teams in Sales & Marketing, Manufacturing, R&D, Quality, and General and Administrative functions. The new structure provides for increased transparency, efficiency and cross-functional collaboration across common technologies, processes and customer channels. We expect to implement this new structure throughout 2019.

Create New Senior Management Positions. In connection with our organizational redesign, we created new senior management positions in order to better align the skills of our management team to our business and to help us more efficiently and successfully execute our business strategies.

Three of our current directors are standing for election at the Annual Meeting. The following chart provides key information on each of our current directors.

Directors ⁽¹⁾	Year Appointed or Elected	Independent	Age	Committee Membership				Other Public Company Boards
				Audit Committee	Nominating & Governance Committee	Compensation Committee	Compliance & Quality Committee	
Jonathan A. Kennedy President & Chief Executive Officer, Natus Medical Incorporated	2018	No	48					1
Alice D. Schroeder*	2019	Yes	62		C			2

Former Chair &
Chief
Executive Officer,
WebTuner

Thomas J. Sullivan*	2019	Yes	55		C	0
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President & Chief
Executive
Officer, A&E
Medical
Corporation

Barbara R. Paul, M.D.	2016	Yes	65	1		
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Former Chief Medical
Officer, Community
Health Systems, Inc.

Kenneth E. Ludlum*	2002	Yes	65	C	1	
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