

PETROHAWK ENERGY CORP
Form DEF 14A
April 16, 2010
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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

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Petrohawk Energy Corporation

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

(3) Filing Party:

(4) Date Filed:

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Petrohawk Energy Corporation

1000 Louisiana, Suite 5600

Houston, Texas 77002

Telephone (832) 204-2700

Annual meeting of stockholders

to be held on May 20, 2010

April 16, 2010

Dear Stockholder:

You are cordially invited to attend Petrohawk Energy Corporation's 2010 annual meeting of stockholders on Thursday, May 20, 2010, at 10:00 a.m., Central Daylight Time, to be held at the Cottonwood Room, 3rd floor, Hyatt Regency Houston, 1200 Louisiana Street, Houston, Texas 77002.

The enclosed notice of annual meeting and the proxy statement describe the matters to be acted upon during the meeting. In addition, there will be a report on the state of Petrohawk's business and an opportunity for you to ask questions of Petrohawk's management.

You may vote your shares by submitting a proxy by Internet, by telephone, or by completing, signing, dating and returning the enclosed proxy card or by voting your shares in person at the meeting. The proxy card describes your voting options in more detail. If you need assistance, please contact Joan Dunlap, Vice President Investor Relations, at (832) 204-2700. Our annual report to the stockholders including our annual report on Form 10-K for the fiscal year ended December 31, 2009 also accompanies the proxy statement.

The annual meeting gives us an opportunity to review Petrohawk's results and discuss the steps Petrohawk has taken to position itself for the future. We appreciate your ownership of Petrohawk common stock, and I hope you will be able to join us at the annual meeting.

Sincerely,

Floyd C. Wilson

Chairman of the Board of Directors

and Chief Executive Officer

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Petrohawk Energy Corporation

1000 Louisiana, Suite 5600

Houston, Texas 77002

Telephone (832) 204-2700

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 20, 2010

Notice is hereby given that the annual meeting of stockholders of Petrohawk Energy Corporation will be held on Thursday, May 20, 2010 at 10:00 a.m., Central Daylight Time, at the Cottonwood Room, 3rd floor, Hyatt Regency Houston, 1200 Louisiana Street, Houston, Texas 77002 for the following purposes:

1. To elect four directors to our board of directors to serve as Class III directors in accordance with our bylaws;
2. To ratify the appointment of Deloitte & Touche LLP, an independent registered public accounting firm, as our independent registered public accountants for the fiscal year ending December 31, 2010; and
3. To transact such other business as may properly come before the annual meeting or any adjournment thereof.

The board of directors has approved the close of business on March 31, 2010, as the record date for determining the stockholders of Petrohawk entitled to notice of, and to vote at, the annual meeting and any adjournment or postponement thereof. Only stockholders of record at the close of business on the record date are entitled to notice of, and to vote at, the meeting. A complete list of our stockholders entitled to vote at the meeting will be available for examination at our offices in Houston, Texas during ordinary business hours for a period of ten (10) days prior to the meeting.

All stockholders are cordially invited to attend the meeting. Whether or not you expect to attend the annual meeting in person, please submit a proxy as soon as possible. In order to submit a proxy, please call the toll-free number listed on the enclosed proxy card, use the Internet as described on the enclosed proxy card, or complete, date and sign the enclosed proxy card and return it in the enclosed envelope, which requires no additional postage if mailed in the United States. If you attend the meeting, and if you so choose, you may withdraw your proxy and vote in person. If your shares are held in street name by your broker or other nominee, only that holder can vote your shares and the vote cannot be cast for the election of directors unless you provide instructions to your broker. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Please review the proxy statement accompanying this notice for more complete information regarding the matters to be voted on at the meeting. You may revoke your proxy at any time before it is voted.

By order of the Board of Directors of

Petrohawk Energy Corporation:

Floyd C. Wilson

Chairman of the Board of Directors

and Chief Executive Officer

April 16, 2010

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR
THE 2010 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 20, 2010.**

Petrohawk's Proxy Statement for the 2010 Annual Meeting of Stockholders, the Annual Report to Stockholders for the fiscal year ended December 31, 2009 and the Company's Annual Report on Form 10-K for the year ended December 31, 2009 are available at <http://www.petrohawk.com>.

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Petrohawk Energy Corporation

1000 Louisiana, Suite 5600

Houston, Texas 77002

Telephone (832) 204-2700

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 20, 2010

GENERAL INFORMATION

These proxy materials are furnished to you in connection with the solicitation of proxies by the board of directors of Petrohawk Energy Corporation, a Delaware corporation (referred to in this proxy statement as Petrohawk, the Company, we, us, or our) for the annual meeting of our stockholders to be held on Thursday, May 20, 2010, at 10:00 a.m., Central Daylight Time, at the Cottonwood Room, 3rd floor, Hyatt Regency Houston, 1200 Louisiana Street, Houston, Texas 77002. The proxies also may be voted at any adjournments or postponements of the annual meeting.

This proxy statement, together with our annual report to the stockholders including our annual report on Form 10-K for the year ended December 31, 2009, are being mailed on or about April 16, 2010 to holders of record of our common stock as of March 31, 2010. The specific proposals to be considered and voted upon at the annual meeting are summarized in the notice of annual meeting of stockholders. Each proposal is described in more detail in this proxy statement.

Voting and Revocation of Proxies

If you provide specific voting instructions, your shares will be voted as you instruct. Whether you hold shares directly as a stockholder of record, or beneficially in street name, you may direct how your shares are voted at the annual meeting. If you are a stockholder of record, you may vote by submitting a proxy or by voting in person at the annual meeting, and if you hold your shares in street name, you may vote by submitting voting instructions to your broker or trustee or nominee. You may cast your vote by proxy as follows:

By Internet you may vote using the Internet and voting at the website listed on the enclosed proxy/voting instruction card, or the proxy card ;

By telephone you may vote by using the toll-free telephone number listed on the enclosed proxy card; or

By mailing the proxy card you may vote by completing, signing, dating and mailing the enclosed proxy card in the enclosed pre-addressed postage-paid envelope.

Unless you otherwise direct in your proxy, the individuals named in the proxy card will vote the shares represented by such proxy FOR each of the board nominees named herein (Proposal 1) and FOR the ratification of the appointment of Deloitte & Touche LLP (Deloitte) as our independent registered public accountants (Proposal 2).

If you hold your shares in street name, please refer to the proxy card forwarded by your bank, broker, or other nominee to see which voting options are available to you and directions on how to vote. If you vote by Internet or by telephone, you need not return your proxy card. Proxies granted by telephone or over the Internet, in accordance with the procedures set forth on the proxy card, will be valid under Delaware law.

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If you sign the proxy card of your broker, trustee or other nominee but do not provide instructions, your shares will not be voted unless your broker, trustee or other nominee has discretionary authority to vote. When a broker, trustee, or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have authority to vote in the absence of timely instructions from the beneficial owner, this is referred to as a broker non-vote. The New York Stock Exchange, or the NYSE, permits brokers to have discretionary authority to vote the shares of a beneficial owner in the ratification of Deloitte as our independent registered public accountants. **NYSE rules have recently been amended so that brokers no longer have discretionary voting authority with respect to the election of directors. It is therefore very important that you indicate on the proxy card of your broker how you want your shares to be voted in the election of the four nominees named in this proxy statement.**

The board of directors is not aware of any business to be brought before the annual meeting other than as indicated in the notice of annual meeting of stockholders. If other matters do come before the meeting, the persons named in the proxy card will vote the shares represented by the proxy in his or her best judgment.

Revocation of Proxy. A proxy may be revoked by a stockholder at any time prior to it being voted by:

delivering a revised proxy (by one of the methods described above) bearing a later date;

voting in person at the annual meeting; or

notifying our Secretary of the revocation in writing at our address set forth above in time to be received before the annual meeting. Attendance at the meeting alone will not effectively revoke a previously executed and delivered proxy. If a proxy is properly executed and is not revoked by the stockholder, the shares it represents will be voted at the meeting in accordance with the instructions from the stockholder. If the proxy card is signed and returned without specifying choices, the shares will be voted in accordance with the recommendations of our board of directors.

If your shares are held in an account at a broker or other nominee, you should contact your broker or other nominee to change your vote.

Record Date and Vote Required for Approval. The record date with respect to this solicitation is March 31, 2010. All holders of record of our common stock as of the close of business on March 31, 2010 are entitled to vote at the annual meeting and any adjournment or postponement thereof for which a new record date has not been established. As of March 31, 2010, we had 302,189,825 shares of common stock outstanding. Each share of common stock is entitled to one vote. Our stockholders do not have cumulative voting rights. In accordance with our bylaws, the holders of a majority of the outstanding shares of our common stock entitled to vote, represented in person or by proxy, shall constitute a quorum at the annual meeting. If a quorum is not present at the annual meeting, a vote for adjournment will be taken among the stockholders present or represented by proxy. If a majority of the stockholders present or represented by proxy vote for adjournment, it is our intention to adjourn the meeting until a later date and to vote proxies received at such adjourned meeting. The place and date to which the annual meeting would be adjourned would be announced at the meeting, but would in no event be expected to be more than 30 days after the date of the annual meeting.

Assuming that a quorum is present, the affirmative vote of a plurality of the votes cast is required for the election of directors at the annual meeting. This means that the director nominees receiving the most affirmative votes are elected for the available board positions. Any shares not voted (whether by withholding the vote, broker non-vote or otherwise) have no impact in the election of directors, except to the extent that the failure to vote for an individual results in another candidate receiving a larger number of votes.

Delaware law and our bylaws provide that, on all matters other than the election of directors (except to the extent otherwise required by our certificate of incorporation or applicable law) the affirmative vote of a majority

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of the shares of common stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter is required for approval. Therefore, the ratification of the appointment of Deloitte as our independent registered public accountants requires the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the meeting and entitled to vote on the matter.

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 when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. Brokers that have not received voting instructions from their clients cannot vote on their clients' behalf on non-routine proposals, including the election of directors, although they may vote their clients' shares on the ratification of the appointment of Deloitte as our independent registered public accountants. While broker non-votes are counted for the purposes of obtaining a quorum for the meeting, in tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote. Thus, assuming that a quorum is obtained, broker non-votes will not affect either the outcome of the election of directors, which requires a plurality vote, or the ratification of the appointment of Deloitte as our independent registered public accountants, which requires the affirmative vote of a majority of the shares present and entitled to vote. Abstentions are counted as shares present at the meeting for purposes of determining the presence of a quorum and entitled to vote with respect to any matters being voted upon at the meeting. Abstentions will have no effect on the outcome of the election of directors, but with respect to the ratification of the appointment of Deloitte as our independent registered public accountants, an abstention will operate to prevent the approval of such proposal to the same extent as a vote against such proposal.

Proxy Solicitation. We will bear all costs relating to the solicitation of proxies. We have retained Georgeson Inc. to aid in the solicitation of proxies, at an estimated cost of \$7,500 plus reimbursement of out-of-pocket expenses, custodial charges in connection with payment by Georgeson of charges of brokers and banks on our behalf, and additional charges which may be incurred in connection with the solicitation of proxies by telephone. Proxies may also be solicited by officers, directors and employees personally, by mail, or by telephone, facsimile transmission or other electronic means. On request, we will pay brokers and other persons holding shares of stock in their names or in those of their nominees, which in each case are beneficially owned by others, for their reasonable expenses in sending soliciting material to, and seeking instructions from, their principals.

Submission of Stockholder Proposals. The deadline for submitting stockholder proposals for inclusion in our 2011 proxy statement and form of proxy for our annual meeting in 2011 is December 17, 2010. See Submission of Stockholder Proposals for Our 2011 Annual Meeting of Stockholders below for additional information.

We will provide to any stockholder, without charge and upon the written request of the stockholder, a copy (without exhibits, unless otherwise requested) of our annual report on Form 10-K as filed with the United States Securities and Exchange Commission (the SEC) for our fiscal year ended December 31, 2009. Any such request should be directed to Joan Dunlap, Vice President Investor Relations at 1000 Louisiana, Suite 5600, Houston, Texas 77002, telephone number: (832) 204-2700. The annual report to the stockholders accompanying this proxy statement including the annual report on Form 10-K for our fiscal year ended December 31, 2009 is not part of the proxy solicitation materials.

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The following sets forth beneficial ownership of our common stock by beneficial owners of more than five percent of our common stock as of March 31, 2010, based solely upon statements they have filed with the SEC pursuant to Sections 13(g) or 13(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act"). Unless otherwise indicated, the named person below has the sole voting and dispositive powers with respect to the shares of our common stock set forth opposite such person's name.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
FMR LLC 82 Devonshire Street Boston, Massachusetts 02109	36,515,403 ⁽¹⁾	12.14%
Fidelity Management & Research Company and Edward C. Johnson 3d 82 Devonshire Street Boston, Massachusetts 02109	31,163,617 ⁽²⁾ (part of the 36,515,403 shares disclosed with respect to FMR LLC above)	10.36%*
BlackRock, Inc. 40 East 52 Street New York, NY 10022	24,869,721 ⁽³⁾	8.27%
Capital World Investors 333 Hope Street Los Angeles, CA 90071	18,420,000 ⁽⁴⁾	6.1%

* Represents part of the percent of class disclosed with respect to FMR LLC in the row above.

(1) According to, and based solely upon, Amendment No. 3 to Schedule 13G filed by FMR LLC with the SEC on February 16, 2010: FMR LLC has the sole power to vote or direct the vote with respect to 4,663,576 shares of Petrohawk common stock, and the sole power to direct the disposition of 36,515,403 shares of Petrohawk common stock. Various persons (other than FMR LLC) have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of the 36,515,403 shares of Petrohawk common stock beneficially owned by FMR LLC. No one such person's interest in Petrohawk common stock is more than five percent of the total number of Petrohawk common stock outstanding. Also see footnote 2.

(2) According to, and based solely upon, Amendment No. 3 to Schedule 13G filed by FMR LLC with the SEC on February 16, 2010: Fidelity Management & Research Company ("Fidelity"), a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 31,163,617 shares of Petrohawk common stock outstanding as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940 (the "funds"). The funds have the sole power to dispose of the 31,163,617 shares owned by them.

Edward C. Johnson 3d and FMR LLC, through its control of Fidelity, and the funds to which Fidelity acts as investment advisor, each has sole power to dispose of the 36,515,403 shares owned by these funds. Members of the family of Edward C. Johnson 3d, Chairman of FMR LLC, are the predominant owners, directly or through trusts, of Series B shares of common stock of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common stock and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Amendment No. 3 to Schedule 13G filed by FMR LLC with the SEC on February 16, 2010 indicates that neither FMR LLC nor Edward C. Johnson 3d has the sole power to vote or direct the voting of the shares owned directly by the Fidelity funds, which power resides with the funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the funds' Boards of Trustees. Strategic Advisers, Inc., a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940,

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provides investment advisory services to individuals. As such, FMR LLC's beneficial ownership includes 8,555 shares, or 0.003%, of our outstanding common stock, beneficially owned through Strategic Advisers, Inc. Pyramis Global Advisors, LLC (PGALLC), an indirect, wholly owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 590,840 shares, or 0.196%, of our outstanding common stock as a result of its serving as investment adviser to institutional accounts, non-U.S. mutual funds, or investment companies registered under Section 8 of the Investment Company Act of 1940 owning such shares. Edward C. Johnson 3d and FMR LLC, through its control of PGALLC, each has sole dispositive power over 590,840 shares and sole power to vote or to direct the voting of 590,840 shares owned by the institutional accounts or funds advised by PGALLC as reported above. Pyramis Global Advisors Trust Company (PGATC), an indirect, wholly owned subsidiary of FMR LLC and a bank as defined in Section 3(a)(6) of the

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1934 Act, is the beneficial owner of 3,659,841 shares, or 1.217%, of our outstanding common stock as a result of its serving as investment manager of institutional accounts owning such shares. Edward C. Johnson 3d and FMR LLC, through its control of PGATC, each has sole dispositive power over 3,659,841 shares and sole power to vote or to direct the voting of 3,066,431 shares owned by the institutional accounts managed by PGATC as reported above. FIL Limited (FIL) and various foreign-based subsidiaries provide investment advisory and management services to a number of non-U.S. investment companies and certain institutional investors. FIL, which is a qualified institution under Rule 13d-1(b)(1)(ii) under the 1934 Act, is the beneficial owner of 1,092,550 shares, or 0.363%, of our outstanding common stock. Partnerships controlled predominantly by members of the family of Edward C. Johnson 3d, Chairman of FMR LLC and FIL, or trusts for their benefit, own shares of FIL voting stock with the right to cast approximately 47% of the total votes which may be cast by all holders of FIL voting stock. FMR LLC and FIL are separate and independent corporate entities, and their Boards of Directors are generally composed of different individuals. FMR LLC and FIL are of the view that they are not acting as a group for purposes of Section 13(d) under the Securities Exchange Act of 1934 (the 1934 Act) and that they are not otherwise required to attribute to each other the beneficial ownership of securities beneficially owned by the other corporation within the meaning of Rule 13d-3 promulgated under the 1934 Act. Therefore, they are of the view that the shares held by the other corporation need not be aggregated for purposes of Section 13(d). However, FMR LLC filed the Schedule 13G on a voluntary basis as if all of the shares are beneficially owned by FMR LLC and FIL on a joint basis. Also see footnote 1. FIL has sole dispositive power over 1,092,550 shares owned by the International Funds. FIL has sole power to vote or direct the voting of 94,800 shares of our common stock held by the International Funds as reported above.

- (3) According to, and based solely upon, Schedule 13G filed by BlackRock, Inc. with the SEC on January 29, 2010: BlackRock, Inc. has the sole power to vote or direct the vote with respect to 24,869,721 shares of Petrohawk common stock, and the sole power to direct the disposition of 24,869,721 shares of Petrohawk common stock. Various persons (other than BlackRock, Inc.) have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of the 24,869,721 shares of Petrohawk common stock beneficially owned by BlackRock, Inc. No one such person's interest in Petrohawk common stock is more than five percent of the total number of Petrohawk common stock outstanding.
- (4) According to, and based solely upon, Schedule 13G filed by Capital World Investors with the SEC on February 10, 2010: BlackRock, Inc. has the sole power to vote or direct the vote with respect to 6,690,000 shares of Petrohawk common stock, and the sole power to direct the disposition of 18,420,000 shares of Petrohawk common stock. Capital World Investors is deemed to be the beneficial owner of 18,420,000 shares of Petrohawk common stock as a result of CRMC acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940.

Table of Contents**OUR BOARD OF DIRECTORS AND ITS COMMITTEES***The Board of Directors*

Our business and affairs are managed under the direction of our board of directors. Our bylaws specify that we shall not have less than one nor more than eleven directors. Our board currently has ten members, including Stephen P. Smiley, who was appointed to our board of directors on April 5, 2010. Under our bylaws, each director holds office until the annual stockholders' meeting at which such director's class is up for re-election and until the director's successor is duly elected and qualified, or until such director's earlier death, resignation or removal. Our certificate of incorporation provides that our board of directors is classified into three classes: Class I, Class II and Class III, each class having a three-year term of office. As discussed more fully below under Proposal I Election of Directors, four of our current directors, Thomas R. Fuller, Robert G. Raynolds, Stephen P. Smiley and Christopher A. Viggiano have been nominated for reelection at our 2010 annual meeting because of the expiration of the term of their class, Class III, on our classified board of directors.

The following table sets forth the names and ages of all current directors, the positions and offices with us held by such persons, the years in which their current terms as directors expire and the length of their continuous service as a director:

Name	Director Since	Age	Position	Expiration of Term
Floyd C. Wilson	May 2004	63	Chairman of the Board and Chief Executive Officer	2011
James W. Christmas	July 2006	62	Vice Chairman of the Board	2012
Tucker S. Bridwell	May 2004	58	Director	2011
Thomas R. Fuller	March 2006	62	Director	2010
James L. Irish III	May 2004	65	Director	2012
Gary A. Merriman	July 2006	55	Director	2011
Robert G. Raynolds	July 2006	58	Director	2010
Stephen P. Smiley	April 2010	61	Director	2010
Robert C. Stone, Jr.	September 2000	61	Director	2012
Christopher A. Viggiano	July 2006	56	Director	2010

Floyd C. Wilson has served as our Chairman of the Board and Chief Executive Officer since May 25, 2004. At such time, he was President and Chief Executive Officer of PHAWK, LLC, an oil and natural gas company that he founded in June 2003. Mr. Wilson was the Chairman and Chief Executive Officer of 3TEC Energy Corporation, an oil and natural gas company with properties concentrated in East Texas and the Gulf Coast from August 1999 until its merger with Plains Exploration & Production Company in June 2003. In 1998, Mr. Wilson founded W/E Energy Company L.L.C., formerly known as 3TEC Energy Company L.L.C., to make investments in oil and natural gas properties and companies, and he served as its President until August 1999. Mr. Wilson began his career in the energy business in Houston, Texas in 1970 as a completion engineer. He moved to Wichita, Kansas in 1976 to start an oil and gas operating company, one of several private energy ventures which preceded the formation of Hugoton Energy Corporation in 1987, where he served as Chairman, President and Chief Executive Officer. In 1994, Hugoton completed an initial public offering and was merged into Chesapeake Energy Corporation in 1998.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Wilson's contributions to the board, determined that his role as the Company's Chief Executive Officer, his experience in the energy industry and his many years of service as a director and chief executive officer of oil and natural gas exploration and production companies provide significant contributions to the Company's board of directors.

James W. Christmas has served as a director since July 12, 2006, effective upon the merger of KCS Energy, Inc. (KCS) into the Company. Mr. Christmas has served as Vice Chairman of the Board of Directors

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since July 12, 2006. He also serves on the Audit Committee and the Nominating and Corporate Governance Committee. He served as President and Chief Executive Officer of KCS from 1988 until April 2003 and Chairman of the Board and Chief Executive Officer of KCS until its merger into the Company. Mr. Christmas was a Certified Public Accountant in New York and was with Arthur Andersen & Co. from 1970 until 1978 before leaving to join National Utilities & Industries (NUI), a diversified energy company, as Vice President and Controller. He remained with NUI until 1988, when NUI spun out its unregulated activities that ultimately became part of KCS. As an auditor and audit manager, controller and in his role as CEO of KCS, Mr. Christmas was directly or indirectly responsible for financial reporting and compliance with SEC regulations, and as such has extensive experience in reviewing and evaluating financial reports, as well as in evaluating executive and board performance and in recruiting directors.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Christmas's contributions to the board, determined that his prior experience as an executive and director and his past audit, accounting and financial reporting experience provide significant contributions to the Company's board of directors.

Tucker S. Bridwell has served as a director since May 25, 2004 and currently serves on the Audit Committee. Mr. Bridwell has been the President of Mansefeldt Investment Corporation and the Dian Graves Owen Foundation since September 1997 and manages investments in both entities. He has been in the energy business in various capacities for over 26 years, focusing on oil and gas private equity and public oil and gas investments with extensive experience in managing both public and private energy companies. Mr. Bridwell is a Certified Public Accountant and has practiced public accountancy, specializing in oil and gas. He earned a Bachelor of Business Administration degree and a Master of Business Administration degree from Southern Methodist University. He has also served on the audit committees of numerous businesses and non-profit organizations. Currently, he serves on the board of directors and audit committees of Concho Resources, Inc. and First Financial Bankshares, Inc. Mr. Bridwell previously served as chairman of First Permian, LLC from 2000 until its sale to Energen Corporation in April 2002.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Bridwell's contributions to the board, determined that his experience in accounting, investing and management provide significant contributions to the Company's board of directors.

Thomas R. Fuller has served as a director since March 6, 2006. Mr. Fuller serves on Petrohawk's Compensation Committee, Reserves Committee, and is the Chairman of the Nominating and Corporate Governance Committee. Mr. Fuller has been a principal of Diverse Energy Management Co. since December 1988, a private upstream acquisition, drilling and production company which also invests in other energy-related companies. Mr. Fuller has earned degrees from the University of Wyoming and the Louisiana State University School of Banking of the South and is a Registered Professional Engineer in Texas. He has 40 years of experience as a petroleum engineer, specializing in economic and reserves evaluation. He has served as an employee, officer, partner or director of various companies, including ExxonMobil, First City National Bank, Hillin Oil Co., Diverse Energy Management Co. and Rimco Royalty Partners. Mr. Fuller also has extensive experience in energy-related merger and acquisition transactions, having generated and closed over 90 producing property acquisitions during his career. As a primary lending officer to many independent energy companies, Mr. Fuller has extensive experience in analyzing and evaluating financial, business and operational strategies for energy companies.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Fuller's contributions to the board, determined that his petroleum engineering and energy-related acquisitions and analytical experience provide significant contributions to the Company's board of directors.

James L. Irish III has served as a director since May 25, 2004. Mr. Irish serves as the Company's Chairman of the Audit Committee and as its Lead Director (our lead independent director). Mr. Irish served as a

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director of 3TEC Energy Corporation from 2002 until June 2003, and has served as an advisory director of EnCap Investments L.P. since October 2007. For over 30 years, until his retirement in December 2001, Mr. Irish practiced law with Thompson & Knight LLP, a Texas-based law firm that represents multinational and independent oil and gas companies, host government oil and gas companies, large utilities, private power plants, energy industry service companies, refineries, petrochemical companies, financial institutions, and multinational drilling contractors and construction companies. Mr. Irish's practice specialized in the area of energy finance and focused on the representation of insurance companies, pension plan managers, foundations and other financial institutions with respect to their equity and debt oil and gas investments and their related legal, regulatory and structural issues. Mr. Irish has also represented energy companies in connection with project financings, joint ventures, master limited partnerships and similar matters and has represented banks and other financial institutions with issues of revolving credit, project, term and other oil and gas loans. Mr. Irish served as chair of the energy group of Thompson & Knight LLP and was its sole Vice President or Managing Partner for over ten years prior to his retirement. Mr. Irish has been named since 1987 in Corporate Law by *The Best Lawyers in America* and has been included as a *Texas Super Lawyer* by *Texas Monthly* in Energy & Natural Resources and Securities & Corporate Finance.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Irish's contributions to the board, determined that his experience in legal, financial and transactional matters affecting oil and natural gas companies provide significant contributions to the Company's board of directors.

Gary A. Merriman has served as a director since July 12, 2006, effective upon the merger of KCS into the Company. He serves as the Chairman of the Compensation Committee and as a member of the Nominating and Corporate Governance Committee. Mr. Merriman had served as a director of KCS since April 2005. Mr. Merriman retired from Conoco Inc. in 2002 after having begun his career in the oil and natural gas industry there in 1976 following graduation from Marietta College with a Bachelor of Science in Petroleum Engineering. He held various engineering and supervisory positions with Conoco, including as a production superintendent in West Texas and engineering manager for Conoco's western Gulf of Mexico operations. In 1991, Mr. Merriman attended the Massachusetts Institute of Technology (MIT) as a Sloan Fellow, earning a Masters of Science in Management in 1992 and spent the following three years as a general manager of operations for Conoco in Aberdeen, Scotland. In 1995, Mr. Merriman was the President of Conoco Indonesia Inc. in Jakarta. In 1997, Mr. Merriman was the General Manager of the Rockies business unit in Denver for Conoco and in 1999, Mr. Merriman became the President of Exploration and Production for Conoco in the Americas with responsibilities for operations in the U.S. and South America.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Merriman's contributions to the board, determined that his petroleum engineering background and operational and management experience in the oil and natural gas industry provide significant contributions to the Company's board of directors.

Robert G. Reynolds has served as a director since July 12, 2006, effective upon the merger of KCS into the Company. He serves on the Company's Reserves Committee. Mr. Reynolds is an exploration geologist with 35 years of experience in university teaching, with international applied-geological research experience in oil and gas exploration. He has been an independent consulting geologist for several major and independent oil and gas companies from 1992 until the present. After earning his PhD in geology at Dartmouth College, Mr. Reynolds taught on a Fulbright fellowship at the Center for Excellence in Geology at the University of Peshawar in Peshawar, Pakistan. He later taught at Dartmouth College and is currently an adjunct professor at the Colorado School of Mines. He has taught graduate level classes and seminars in structure, sequence stratigraphy and regional tectonics and undergraduate classes in remote sensing, stratigraphy of North America and field methods. He also instructs industry courses on sedimentation in extensional basins and stratigraphic analyses of regressive marine sequences. Mr. Reynolds has done geological field work and research in Europe, Africa, South America, and in Asia. He has exploration experience with Exxon and Amoco Production Companies involving exploration in Mexico, Australia, Pakistan, Egypt, Kenya, Burundi and Tanzania. Mr. Reynolds has domestic exploration experience that includes the Gulf Coast Tertiary, California onshore basins and Rocky Mountain basins and has

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initiated and conducted exploration in targeted shale gas plays in the Mancos, Lewis and Bearpaw shales of the Cretaceous Interior Seaway. He has extensive experience with log interpretation, subsurface mapping and correlation, 2-D and 3-D seismic interpretation, play analysis, field size distribution analysis and exploration strategy development. For the past ten years Mr. Raynolds has been a researcher and teacher at the Denver Museum of Nature & Science. Currently, his applied research has focused on groundwater resources and has included research in Bolivia and Argentina to investigate modern analogs to help define subtle stratigraphic controls on groundwater distribution in Colorado.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Raynolds' contributions to the board, determined that his petroleum engineering and exploration experience provide significant contributions to the Company's board of directors.

Stephen P. Smiley has served as a director since April 5, 2010. Mr. Smiley has been the Co-founder and President of Hunt Private Equity Group, Inc. since 1996. During his time at Hunt Private Equity Group, he has raised and managed a private equity fund to invest in leveraged buyouts and growth financings for various middle market companies. At Hunt Private Equity Group he is also responsible for managing relationships with institutional, family and individual investors, and for sourcing, evaluating, financing and managing the portfolio. Mr. Smiley also serves on the boards of Dynamex, Inc., a publicly traded company where he serves on the compensation, audit, governance and executive committees, Ginsey Holdings, Inc., where he serves on the audit committee, and Universal Companies, where he serves on the compensation and audit committees. Before he joined Hunt Private Equity Group, from 1991 to 1995 he co-founded and served as the chief executive officer of Cypress Capital Corporation where he raised and managed a multi-million dollar fund to invest in leveraged buyouts, industry consolidations and growth financings in the middle market. From 1989 to 1991 Mr. Smiley worked in the venture capital group at Citicorp/Citibank, N.A. Mr. Smiley holds a Master of Business Administration from the College of William and Mary and has 30 years of corporate finance and investing experience, and over 20 years of corporate governance experience.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Smiley's nomination to the board, determined that his experience in investing and financial matters and corporate governance would provide significant contributions to the Company's board of directors.

Robert C. Stone, Jr. has served as a director since September 2000. Mr. Stone is a member of the Company's Audit Committee and Nominating and Corporate Governance Committee, and is the Chairman of the Reserves Committee. Mr. Stone formed ENG Energy Advisory, LLC in 2007 and serves as its managing member. ENG provides advisory and consulting services to independent exploration and production companies with emphasis on capital formation, corporate strategy and acquisition and divestiture of producing properties. Mr. Stone retired in June 2007 from his position as Senior Vice President/Manager of Energy Lending at Whitney National Bank in New Orleans, Louisiana, where he was employed since 2000. Prior to this position, Mr. Stone was Manager of Energy Technical Services, Energy/Maritime Division at Hibernia National Bank from 1998 to 2000, where he had evaluation responsibilities for all syndicated and direct lending to exploration and production industry clients. Mr. Stone has held senior management positions in energy banking for over 21 years. Mr. Stone began his banking career as an engineer with First National Bank of Commerce in New Orleans in 1983. Prior to that, Mr. Stone earned a Bachelor of Science in Industrial Engineering and a Masters of Engineering (Petroleum Option) from the University of Houston. During and after his graduate work he was a teaching fellow with assignments in Engineering Economics and Engineering Statistics. Upon graduation he worked for Exxon Company, USA (now ExxonMobil Corporation) for seven years in increasingly responsible technical positions relating to the economic evaluation of oil and gas reserves and the management of engineers involved in reservoir and subsurface engineering. He was also a Founding Governor of the City Energy Club of New Orleans and is involved with many civic organizations in New Orleans where he still resides.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Stone's contributions to the board, determined that his experience in energy banking and finance provide significant contributions to the Company's board of directors.

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Christopher A. Viggiano has served as a director since July 12, 2006, effective upon the merger of KCS into the Company. Mr. Viggiano serves on the Company's Audit Committee and the Compensation Committee. Mr. Viggiano had served as a director of KCS since 1988, serving on the Compensation Committee and as the Audit Committee Chairman from 1988 until the merger with Petrohawk in 2006. He has been President, Chairman of the Board and majority owner of O' Bryan Glass Corp. in Queens, New York since December 1991. Mr. Viggiano is a Certified Public Accountant and worked in public accounting as an auditor for Arthur Anderson & Co. from 1975 to 1984, where his audits included energy, pipeline and gas utility companies among many other industries. He also worked within Arthur Anderson's merger and acquisition group from 1982 to 1984.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Viggiano's contributions to the board, determined that his experience as an executive officer, a director of an exploration and production company and his past audit and acquisition experience provide significant contributions to the Company's board of directors.

Committees of the Board

Our board has four standing committees: audit, compensation, nominating and corporate governance, and reserves. Actions taken by our committees are reported to the full board. Each committee conducts an annual evaluation of its duties and is expected to conduct an annual review of its charter. Each committee has authority to retain, set the compensation for, and terminate consultants, outside counsel and other advisers as that committee determines to be appropriate.

Audit Committee. The members of our audit committee are: James L. Irish III, Tucker S. Bridwell, James W. Christmas, Robert C. Stone, Jr., and Christopher A. Viggiano, with Mr. Irish serving as the chairman. The audit committee met on five occasions during 2009. Our board has determined that all members of our audit committee are financially literate within the meaning of SEC rules, under the current listing standards of the New York Stock Exchange, or NYSE, and in accordance with our audit committee charter. Our board has also determined that all members of the audit committee are independent, within the meaning of SEC and NYSE regulations for independence for audit committee members, under our corporate governance guidelines, and in accordance with our audit committee charter, and that each of Mr. Bridwell, Mr. Christmas, Mr. Stone and Mr. Viggiano qualifies as an audit committee financial expert under the NYSE rules, Item 407(d)(5) of Regulation S-K and in accordance with our audit committee charter. Our board of directors adopted an amended audit committee charter on December 8, 2008. See Corporate Governance Matters Director Independence for more information on how we determine the independence of our directors.

The primary functions of our audit committee are to monitor internal accounting controls and financial reporting practices, review financial statements and related information, select and retain our independent registered public accountants, review and evaluate the performance, services, and fees of the independent registered public accountants, pre-approve all audit and permitted non-audit services to be provided by the independent registered public accountants, monitor the independence of the independent registered public accountants, and produce a report for inclusion in our proxy statement. Our independent registered public accountants report directly to the audit committee. Additionally, the audit committee discusses with management our earnings releases, including the use of pro-forma financial information, and the information and earnings guidance provided to analysts and rating agencies. The audit committee also reviews and discusses quarterly reports from our independent registered public accountants regarding critical accounting policies and practices, alternative treatments of financial information within generally accepted accounting principles, and other material written communication between our independent registered public accountants and management. See below in this proxy statement for a copy of our audit committee's report for the 2009 fiscal year.

Compensation Committee. The members of our compensation committee are Gary A. Merriman, Thomas R. Fuller, and Christopher A. Viggiano, with Mr. Merriman serving as the chairman. This committee met six

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times during 2009. Our board of directors has determined that each of the current members of the compensation committee is a non-employee director in accordance with Rule 16b-3 of the 1934 Act and an outside director in accordance with Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), as required in our compensation committee charter. Our board of directors has also determined that all members of the compensation committee who currently serve are independent pursuant to the NYSE rules and in accordance with our compensation committee charter. Our compensation committee is responsible for formulating and recommending to our board of directors the compensation to be paid to our executive officers and directors, and producing an annual report for inclusion in our proxy statement. The compensation committee also administers our stock option plans, including our 1999 Incentive and Nonstatutory Stock Option Plan, the 2004 Non-Employee Director Incentive Plan, the 2004 Petrohawk Plan, the Mission Resources Corporation 2004 Incentive Plan, the Mission Resources Corporation 1996 Stock Incentive Plan, the Mission Resources Corporation 1994 Stock Incentive Plan, the KCS Energy, Inc. 2001 Employees and Directors Stock Plan, and the KCS Energy, Inc. 2005 Employees and Directors Stock Plan. Our board of directors adopted an amended compensation committee charter on November 3, 2008. See Executive Compensation Compensation Discussion and Analysis Overview of the Compensation Committee for additional information on our compensation committee.

Compensation Committee Interlocks and Insider Participation. See the Compensation Committee Interlocks and Insider Participation section of this proxy statement.

Compensation Discussion and Analysis. See the Executive Compensation Compensation Discussion and Analysis section of this proxy statement.

Nominating and Corporate Governance Committee. The members of our nominating and corporate governance committee are James W. Christmas, Thomas R. Fuller, Robert C. Stone, Jr., and Gary A. Merriman, with Mr. Fuller serving as the chairman. The nominating and corporate governance committee met four times during 2009. Our board of directors has determined that all members of the nominating and corporate governance committee who currently serve are independent pursuant to the NYSE rules and in accordance with our nominating and corporate governance committee charter. The primary functions of the nominating and corporate governance committee are to recommend candidates to the board of directors as nominees for election at the annual meeting of stockholders or to fill vacancies as they may occur, and to perform an annual performance evaluation of the board of directors. This committee also reviews candidates suggested for nomination by the stockholders. Our board of directors adopted an amended nominating and corporate governance committee charter on February 18, 2010. With respect to procedures for stockholders to suggest candidates for consideration by the committee for the 2010 annual meeting of stockholders, see Corporate Governance Matters Nomination Process, Corporate Governance Matters Stockholder Nomination Process and Submission of Stockholder Proposals for Our 2011 Annual Meeting of Stockholders.

Reserves Committee. The members of our reserves committee are Robert C. Stone, Jr., Robert G. Reynolds, and Thomas R. Fuller, with Mr. Stone serving as the chairman. The reserves committee met on five occasions during 2009. Our board has determined that all members of our reserves committee are independent in accordance with our reserves committee charter. Our reserves committee has been formed to assist our board with oversight in the preparation by independent petroleum engineers of annual and any special reserve reports and/or audits of the estimated amounts of our consolidated hydrocarbon reserves and related information. The reserves committee retains the independent petroleum engineers who evaluate our hydrocarbon reserves and determines their independence from Petrohawk. Our board of directors adopted an amended reserves committee charter on February 27, 2007.

Membership and Meetings of the Board of Directors and its Committees. During 2009, ten meetings of our board of directors were held. Each director who served on our board during 2009 attended at least 75% of the total meetings of the board (during the period in which he was a director) and each committee on which he served (during the period that he served on that committee). Our directors also took action by unanimous written

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consent on three occasions. Information relating to current committee membership and the number of meetings of the full board and committees held in 2009 is summarized in the following table:

Name of Director	Board of Directors	Audit Committee	Nominating and Corporate Governance Committee	Compensation Committee	Reserves Committee
Floyd C. Wilson	Chairman				
James W. Christmas	Vice Chairman	Member	Member		
Tucker S. Bridwell	Member	Member			
Thomas R. Fuller	Member		Chairman	Member	Member
James L. Irish III	Member	Chairman			

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 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.

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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.

Other than the relationship described below, and in the sections entitled Director Compensation, Executive Compensation and Employment, Severance and Change of Control Agreements, since January 1, 2006, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we or any of our subsidiaries were or will be a party in which the amount involved exceeded or will exceed \$60,000 and in which any director, executive officer, holder of more than 5% of our common stock, or any member of his or her immediate family had or will have a direct or indirect material interest.

During 2006 the Company paid aggregate fees of approximately \$170,000 to a law firm in which Mr. Hawkins' sister-in-law is a principal. The payments were for legal services provided by the firm to the Company.

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 2006, 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.

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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 27, 2007, 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 26, 2007 (60 days after April 27, 2007) 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.

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.	3,858,914		3,858,914	17.9%
19605 NE 8 th Street				
Camas, WA 98607 (1)				
Directors, Nominees and Named Executive Officers				
D. Christopher Chung, M.D.	15,577	209,167	224,744	1.0%
Doris E. Engibous	1,250	47,500	48,750	*
Robert A. Gunst	3,250	42,500	45,750	*
James B. Hawkins	32,310	399,166	431,376	2.0%
Kenneth E. Ludlum	41,450	3,500	44,950	*
Mark D. Michael	6,250	47,500	53,750	*
William L. Mince	59,981	49,168	109,149	*
William M. Moore (2)	106,322	208,500	314,822	1.4%
Steven J. Murphy	21,848	125,834	147,682	*
Kenneth M. Traverso (3)	129,123	309,167	438,290	2.0%
All Directors and Executive Officers as a group (10 persons) (4)	417,261	1,442,002	1,859,263	8.6%

* Represents holdings of less than one percent.

(1) Based on information reported on Form 4 filed with the Securities and Exchange Commission on August 21, 2006. Nierenberg Investment Management Company, Inc. is the general partner of several entities that hold our common stock, including the D³ Family Bulldog Fund L.P., the D³ Offshore Fund L.P., and the D³ Family Fund L.P., collectively, the D³ Family Funds. Nierenberg Investment Management Company has sole voting and investment power with respect to all of these shares.

(2) Includes 99,892 shares held by The Moore Family Trust and 3,150 shares held by Mr. Moore's spouse.

(3) 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.

(4) Includes all shares referenced in notes 2 and 3 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 2006, 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.

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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.

The primary objectives of our executive compensation are:

To attract, motivate and retain a highly qualified executive management team;

To link executive compensation to our financial performance and accomplishment of strategic objectives;

To compensate competitively with the practices of similarly situated companies; and

To create management incentives designed to enhance stockholder value. We compete in an aggressive and dynamic industry and, as a result, finding, motivating and retaining quality employees, particularly senior managers, sales personnel and technical personnel are important factors to our future success. The compensation philosophy seeks to align the interests of the stockholders and management by tying compensation to our financial performance, either directly in the form of salary and bonuses paid in cash, or indirectly in the form of equity awards. The compensation structure is designed to reward our employees if they achieve financial goals and also to reward them if they are successful in increasing stockholder value.

Our executive officers' compensation currently has two primary elements of compensation: cash compensation, in the form of salary and annual cash bonuses, and equity awards, in the form of stock options and restricted stock grants. In addition, we provide our executive officers a variety of benefits that are available generally to all salaried employees. We set the salary component of executive officer cash compensation at a level we believe enables us to hire and retain individuals in a competitive environment and use cash bonuses to reward performance and contribution to our overall business goals. We explain below under each element 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 outside compensation consultants to define the specific criteria used to identify appropriate market comparisons for establishing compensation levels and the

mix of salary, bonuses and equity compensation, in order to best align executive compensation with the interest of our stockholders. When determining our peer companies, we focus on identifying companies with whom Natus competes directly for customers and employees. We also review the broader local market of similarly situated companies in the San Francisco Bay Area, as we find that we compete with these companies for qualified personnel. The committee, when determining peer companies, considers such additional elements as the size and complexity of the business as measured by market capitalization, revenue, net income and research and development investments. These metrics are then used to identify appropriate market reference points for gathering compensation data. We utilize salary as the base amount necessary to match our competitors for executive talent and we have utilized cash bonuses to reward performance achievements with a time horizon of one year or less. We utilize equity awards to reward long-term performance, with excellent corporate performance and extended officer tenure producing potentially significant value for the officer if value is created for all stockholders. The peer companies that we reviewed are: Abaxis; Analogic; Aspect Medical Systems; Cardiac Science; Cholestech; Digirad; Possis Medical; Rita Medical Systems; Sonosite; Thoratec; Vital Signs; and Zoll Medical.

We view the elements of compensation as related but distinct. We determine the appropriate level for each compensation element based in part, but not exclusively, on competitive benchmarking consistent with our

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recruiting and retention goals, our view of internal equity and consistency, and performance of the executive, both individually and relative to other considerations we deem relevant, such as rewarding extraordinary performance. We structure our compensation so that the base-line salary for our employees should be approximately the median of our peer companies. In 2006, our incentive plan was targeted to make cash bonus payments, (which are based on the performance of the Company as a whole) as a means to maintain overall cash compensation within the mid-range of our peer companies. For 2007, we approved a bonus plan that would provide cash bonus payments (again based on overall Company performance) that would allow total cash compensation to fall within the higher end of our peer companies if the Company significantly exceeds its financial operating plan for the year. This change for 2007 was made to better align the bonus opportunity with our pay-for-performance philosophy. We also think that, as is common in the medical device sector, equity awards are a significant compensation-related motivator in attracting and retaining employees, as well as aligning incentives with shareholder value creation. We further discuss our reasons for granting equity below. 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.

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

Natus seeks to provide cash compensation to its executive officers, including base salary and bonus, at levels that are commensurate with cash compensation of executives with comparable responsibility at similarly situated medical device companies. Annual increases in base salary are determined on an individual basis based on market data and a review of the officer's performance and contribution to various individual, departmental and corporate objectives. In 2006, the executive officers, other than the Chief Executive Officer of the Company, received salary increases ranging from 4.9% to 10.4%. Cash bonuses are intended to provide additional incentives to achieve such objectives. The Committee has the discretion to adjust such bonuses when it believes that such adjustments are necessary in light of the circumstances. Cash bonuses for the Chief Executive Officer are based on achieving strategic objectives and reaching or exceeding performance targets that are based upon the extent to which the Company achieves or exceeds pre-tax profits, as approved by the Company Board of Directors. In determining the salaries and cash bonus of each of Natus's executive officers, other than the Chief Executive Officer, we consider the recommendations of the Chief Executive Officer.

As was the case in 2005, the executive bonuses in 2006 were based on achievement of pre-tax profit targets, which corresponds to our goal of rewarding the executive team for Company-wide performance. The Company believed that it was reasonably likely that the Company would achieve the target levels of profitability for 2006. The Company exceeded such target levels of profitability and bonuses were paid in accordance with the formula provided in our 2006 bonus plan, as such pre-tax profit levels were adjusted to account for acquisition costs and FAS 123R. The Compensation Committee retains the discretion to pay bonuses that are above or below the target plan levels and to adjust the variables that constitute the targets for extra-ordinary

events. Our Vice President, Marketing and Sales operated under a different incentive cash compensation structure than all other executive officers. He received quarterly commissions at specified percentages of sales, based on achieving a pre-determined threshold level of sales. We achieved such threshold and Mr. Traverso was paid his commissions in accordance with such plan. In addition, he received an annual bonus based on achievement of Company sales and earnings goals and achievement of strategic objectives.

Based on a review of public company proxy data and other relevant market data, we believe that cash compensation paid to Natus's executive officers in 2006 was generally consistent with amounts paid to officers with similar responsibilities at similarly situated medical device companies.

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At its December 14, 2006 meeting, the Compensation Committee approved annual salaries and a cash bonus plan for executive officers (other than the Vice President Marketing and Sales) of the Company based on the Company achieving its budgeted pre-tax profit for 2007. The Company believes that it is reasonably likely that the Company will achieve the target levels of profitability. The target bonus for the Chief Executive Officer is 75% of 2007 base salary and the target bonus for the other executive officers is 35% of their respective 2007 base salaries. The Chief Executive Officer's cash bonus may range from 37.5% to a maximum of 112.5% of 2007 base salary, and the cash bonuses for the other executive officers may range from 17.5% to a maximum of 52.5% of their respective 2007 base salaries. For 2007, the executive officers received salary increases ranging from 7.1% to 12.5%. At an April 2007 meeting the Compensation Committee approved the non-salary cash compensation for our Vice President Marketing and Sales. He will receive commissions at specified percentages of sales, based on achieving a pre-determined threshold level of sales. The Company believes that it is reasonably likely that the threshold will be achieved. In addition, Mr. Traverso is eligible to receive an annual bonus at the Compensation Committee's discretion based on achievement of Company sales goals and achievement of strategic objectives.

We note that competition for qualified management and technical personnel in Natus's industry is intense, and we expect such competition to remain intense for the foreseeable future. As a result, in order to enhance our access to qualified personnel, we believe that it will continue to be necessary to provide compensation packages, consisting of cash compensation and equity incentives that are at least competitive with, and in certain instances, superior to, compensation paid by other similarly situated companies.

Equity-Based Compensation Element

Equity based compensation aligns employee incentives with the interests of stockholders because (i) options have value only if the stock price increases over time and (ii) in the case of restricted stock, the value of such grant increases only if the stock price increases. 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 market price on the date of grant. 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 keep employees focused on long-term performance. In addition, in 2006, the Company's Board of Directors reduced the term of options granted under the Company's equity-based compensation plans from ten years to six years in order to reduce the expense of such options under FAS 123R. In 2006, the Company reduced the award of stock options that would otherwise have been granted by 25% and granted restricted stock awards in amounts equal to one-half the number of shares that would have been covered by options that would otherwise have been granted.

The Compensation Committee approved all of the equity granted to our executive officers in 2006. With respect to equity granted to Natus's executive officers, the Compensation Committee considers in making its determination as to the size of the equity grant the executive's position with Natus, market data for peer companies provided by the Company's compensation consultants and any other factors that the Committee may deem relevant. The number of shares subject to each equity grant is within the discretion of the Compensation Committee based on such factors, as well as equity grant guidelines approved

by the Committee.

Equity-based compensation is granted to executive officers when the executive first joins us. In addition, additional equity based compensation may be granted in connection with a significant change in responsibilities. Further, we typically make annual equity awards to our executive officers, as was the case in 2006 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. The annual equity grant date for all eligible employees, including executive officers, is the Compensation Committee meeting held in connection with the Company's annual meeting. This date is established by the Compensation Committee in advance after the determination of the date of the Company's annual meeting. The

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exercise price for all grants is the closing price on the last completed day of trading prior to any meeting of the Compensation Committee.

Compensation of the Chief Executive Officer

Mr. Hawkins' compensation in 2006 consisted of the same components as for our other executive officers, including a base salary, annual bonus and equity compensation. We arrived at Mr. Hawkins' annual salary for 2006, which was an increase of 6% from his base salary for 2005, based on a review of his individual performance and his achievement with respect to various performance targets and the salaries of CEOs of similarly situated companies. Mr. Hawkins' bonus was determined based on achievement of pre-tax operating profit, as adjusted for acquisition costs and FAS 123R, that exceeded the Company's Board of Directors' budget (such pre-tax profit targets were the same as those used for all other executive officers of the Company). Based on its determination that the Company achieved its strategic goals, the Compensation Committee decided to award Mr. Hawkins the maximum amount available under the 2006 bonus plan. However, Mr. Hawkins waived the right to receive the additional amount of bonus for achieving strategic objectives and requested that he be treated in the same manner as all other members of the executive team and be paid a bonus at the formula amount provided in the 2006 bonus plan. As a result, the Compensation Committee approved a cash bonus for Mr. Hawkins of \$230,500. In addition, Mr. Hawkins also received a restricted stock award of 14,000 shares and a stock option grant of 80,000 shares on June 15, 2006. With respect to equity granted to Mr. Hawkins, the Compensation Committee considered market data for peer companies provided by the Company's compensation consultants and any other factors that the Committee deemed relevant.

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 and with James B. Hawkins in April 2004. 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 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;

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) 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 significant reduction in the officer's duties or responsibilities, a reduction in base salary, a material reduction in employee benefits, the relocation of more than 35 miles of the officer's present location, or the failure of a successor entity to assume the employment agreement. A change in control for such employment agreements other than that of Mr. Hawkins 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

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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. Mr. Hawkins' agreement contains a similar definition of this term, but does not include the change in Board composition as a defined change in control.

To be eligible for termination benefits, the executive must comply with certain non-complete and non-solicitation provisions.

The base salaries for our executive officers for 2007 are as follows: James B. Hawkins, \$375,000; Steven J. Murphy, \$225,000; D. Christopher Chung, \$230,000; William M. Mince, \$225,000; and Kenneth M. Traverso, \$210,000.

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 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 for 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.

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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 qualify 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, 2006 (1).

Name and Principal Position	Year	Salary (2)	Stock Awards (3)	Option Awards (3)	Non-Equity	All	Total
					Incentive Plan Compensation (4)	Other Compensation (5)	
James B. Hawkins	2006	\$ 340,000	\$ 18,159	\$ 299,492	\$ 230,500	\$ 2,720	\$ 890,871
President and Chief Executive Officer							
Steven J. Murphy	2006	200,000	6,485	81,451	81,400	2,576	371,912
Vice President Finance and Chief Financial Officer							
D. Christopher Chung, M.D.	2006	210,000	6,485	82,652	85,500	2,605	387,242
Vice President Medical Affairs, R&D and Engineering							
William M. Mince	2006	201,000	6,485	79,837	81,800	2,578	371,700
Vice President Operations							
Kenneth M. Traverso	2006	297,000	6,485	85,380	40,000	2,720	431,585
Vice President, Marketing and Sales							

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- (1) Each of the named executive officers has an Employment Agreement with us that provided for an initial base salary that is subject to subsequent review and to adjustments. These agreements provide that the executive's employment with us is on an at will basis. These agreements also provide for certain payments and other benefits upon termination of employment in certain circumstances, as further described under Employment Agreements and Change in Control Arrangements in the Compensation Discussion and Analysis above, and in the Potential Payments Upon Termination or Change in Control section below.
 - (2) 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 2006 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, 2006. See the Grants of Plan Based Awards Table for more information regarding the equity awards granted by the Company in 2006. Refer to the Compensation Discussion and Analysis above for a full description of these awards.
 - (4) Represents amounts paid in March 2007 for 2006 performance. See the Grants of Plan Based Awards Table for more information regarding non-equity incentive plan compensation in 2006. Refer to the Compensation Discussion and Analysis above for a full description 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 awards granted and the grant date fair value of these awards. It also captures potential future payouts under the Company's 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 (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)				
Mr. Hawkins	6/14/2006	\$ 85,000	\$ 170,000	\$ 255,000	14,000	80,000	\$ 11.32	\$ 158,480
	6/14/2006							\$ 376,288
Mr. Murphy	6/14/2006	30,000	60,000	90,000	5,000	30,000	\$ 11.32	83,050
	6/14/2006							\$ 56,600
Dr. Chung	6/14/2006	31,500	63,000	94,500	5,000	30,000	\$ 11.32	83,050
	6/14/2006							\$ 56,600
Mr. Mince	6/14/2006	30,150	60,300	90,450	5,000	30,000	\$ 11.32	83,050
	6/14/2006							\$ 56,600
Mr. Traverso	6/14/2006	40,000			5,000	30,000	\$ 11.32	83,050
	6/14/2006							\$ 56,600

(1) Each of the named executive officers other than Mr. Traverso had a range of payouts targeted for 2006 non-equity incentive compensation, based on the Company's performance as described in Compensation Discussion and Analysis above. The bonus payment for 2006 performance was made in March 2007 based on the metrics described, at approximately 135% of target, and is shown in the Summary Compensation Table in the column titled Non-equity Incentive Plan Compensation. Mr. Traverso was eligible to receive a target bonus based on the Company's performance in 2006, and such bonus was paid in March 2007 as shown in the Summary Compensation Table.

(2) Each of the named executive officers received a grant of restricted shares in 2006. The restricted shares vest as follows: 50% in August 2008, 25% in August 2009, and 25% in August 2010.

(3) Each of the named executive officers received a grant of stock options in 2006. Options were issued with an exercise price equal to the fair market value on the date of grant, which was based on the most recent closing price of the Company's 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.

Table of Contents**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

Name	Option Awards (1)				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(5)
Mr. Hawkins					14,000	\$ 232,540
	10,000	70,000	\$ 11.32	06/15/2012(4)		
	45,000	75,000	10.03	06/09/2015(3)		
	231,667	233,333	4.07	04/08/2014(2)		
Mr. Murphy					5,000	\$ 83,050
	3,750	26,250	\$ 11.32	06/15/2012(4)		
	18,750	31,250	10.03	06/09/2015(3)		
	28,333	11,667	4.51	02/25/2014(3)		
	31,354	3,646	4.11	05/30/2013(3)		
	25,000		3.45	11/12/2012(2)		
Dr. Chung					5,000	\$ 83,050
	3,750	26,250	\$ 11.32	06/15/2012(4)		