

MASIMO CORP  
Form DEF 14A  
April 27, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**MASIMO CORPORATION**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

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- No fee required
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**MASIMO CORPORATION**

**40 Parker**

**Irvine, California 92618**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON JUNE 1, 2011**

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders (the Annual Meeting ) of Masimo Corporation, a Delaware corporation (the Company ), or any adjournment or postponement thereof. The meeting will be held on Wednesday, June 1, 2011, at 10:00 a.m. Pacific Time at the principal executive offices of the Company at 40 Parker, Irvine, California 92618, for the following purposes:

1. To elect the following nominees as Class I directors to serve until our 2014 annual meeting of stockholders: Dr. Steven J. Barker and Mr. Sanford Fitch.
2. To ratify the selection by the Audit Committee of the Board of Directors of Grant Thornton LLP as our independent auditors for our fiscal year ending December 31, 2011.
3. An advisory (nonbinding) vote on the compensation of our named executive officers, as presented in this Proxy Statement accompanying this Notice.
4. An advisory (nonbinding) vote on the frequency with which executive compensation will be subject to a stockholder advisory vote, as presented in this Proxy Statement accompanying this Notice.
5. To consider a shareholder proposal, if properly presented at the Annual Meeting.
6. To conduct any other business properly brought before the Annual Meeting.

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

The record date for the Annual Meeting is April 18, 2011. Only stockholders of record at the close of business on that date may vote at the Annual Meeting or any adjournment or postponement thereof. This notice is being mailed to all stockholders of record entitled to vote at the Annual Meeting on or about April 27, 2011.

By Order of the Board of Directors

Joe Kiani  
*Chairman & Chief Executive Officer*

Irvine, California

April 27, 2011

**YOU ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY OR SUBMIT YOUR PROXY THROUGH THE INTERNET OR BY TELEPHONE AS PROMPTLY AS POSSIBLE IN ORDER TO ENSURE YOUR REPRESENTATION AT THE MEETING. A RETURN ENVELOPE (WHICH IS POSTAGE PREPAID IF MAILED IN THE UNITED STATES) IS ENCLOSED FOR YOUR CONVENIENCE IF YOU CHOOSE TO SUBMIT YOUR PROXY BY MAIL. EVEN IF YOU HAVE VOTED BY PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST OBTAIN A PROXY ISSUED IN YOUR NAME FROM THAT RECORD HOLDER.**

**MASIMO CORPORATION**

**40 Parker**

**Irvine, CA 92618**

**PROXY STATEMENT**

**FOR THE 2011 ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON JUNE 1, 2011**

**QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING**

**Why am I receiving these materials?**

We sent you this Proxy Statement and the enclosed proxy card because the Board of Directors (the "Board") of Masimo Corporation (sometimes referred to as "we", "Masimo" or the "Company") is soliciting your proxy to vote at the 2011 Annual Meeting of Stockholders, or any adjournment or postponement thereof (the "Annual Meeting"). You are invited to attend the Annual Meeting and we request that you vote on the proposals described in this Proxy Statement. However, you do not need to attend the Annual Meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card or submit your proxy through the Internet or by telephone according to the instructions contained in the enclosed proxy card.

We intend to mail this Proxy Statement and the accompanying proxy card on or about April 27, 2011 to all stockholders of record entitled to vote at the Annual Meeting.

**When and where will the Annual Meeting be held?**

The Annual Meeting will be held on June 1, 2011, at 10:00 a.m. Pacific Time at our offices located at 40 Parker, Irvine, California 92618. Directions are set forth on the back of this Proxy Statement.

**Who can vote at the Annual Meeting?**

Only stockholders of record at the close of business on April 18, 2011 will be entitled to vote at the Annual Meeting. At the close of business on this record date, there were 59,759,684 shares of common stock outstanding and entitled to vote and no shares of preferred stock outstanding or entitled to vote. The holders of common stock will have one vote for each share of common stock they owned as of the close of business on April 18, 2011.

***Stockholder of Record: Shares Registered in Your Name***

If at the close of business on April 18, 2011 your shares of common stock were registered directly in your name with our transfer agent, Computershare, Inc., then you are a stockholder of record of these shares. As a stockholder of record, you may vote either in person at the Annual Meeting or by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to complete and return the enclosed proxy card or submit your proxy through the Internet or by telephone by following the instructions provided in the proxy card to ensure that your vote is counted.

***Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Agent***

If at the close of business on April 18, 2011 your shares of common stock were held, not in your name, but rather in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker, bank or other agent regarding how to vote the shares in your account. Certain of these institutions offer the ability to direct your agent how to vote through the Internet or by telephone. You are also invited to attend the Annual Meeting. However, because



you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy issued in your name from your broker, bank or other agent considered the stockholder of record of the shares.

**What am I voting on?**

There are five matters scheduled for a vote at the Annual Meeting:

Election of two Class I nominees for director to serve until our 2014 annual meeting of stockholders or until their successors are duly elected and qualified;

Ratification of the selection by the Audit Committee of our Board of Directors of Grant Thornton LLP as our independent auditors for our fiscal year ending December 31, 2011;

Advisory (nonbinding) vote on the compensation of our named executive officers, as presented in this Proxy Statement;

Advisory (nonbinding) vote on the frequency of the stockholder advisory vote to approve named executive officer compensation; and

A shareholder proposal regarding adoption of a majority voting standard for director elections.

**Will there be any other items of business on the agenda?**

Aside from the election of directors, ratification of the selection of the independent registered public accounting firm, advisory votes on the compensation of our named executive officers, the frequency with which executive compensation will be subject to a stockholder advisory vote, and the shareholder proposal regarding adoption of a majority voting standard for director elections, the Board knows of no matters to be presented at the Annual Meeting. If any other matter should be presented at the Annual Meeting upon which a vote properly may be taken, shares represented by all proxies received by the Board will be voted with respect thereto in accordance with the judgment of the persons named as attorneys-in-fact in the proxies.

**What is the Masimo Board's voting recommendation?**

Masimo's Board recommends that you vote your shares:

For both of the nominees to the Board;

For the ratification of the Audit Committee's selection of Grant Thornton LLP as Masimo's independent registered public accounting firm;

For the approval, on an advisory basis, of the compensation of our named executive officers, as set forth in this Proxy Statement;

For the approval, on an advisory basis, of a triennial (3 year) advisory vote to approve named executive compensation; and

Against the shareholder proposal regarding adoption of a majority voting standard for director elections.

**How do I vote?**



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For the election of our Class I directors, you may either vote For both nominees to the Board or you may Withhold your vote for any nominee you specify. For the ratification of the selection of our independent auditors, you may vote For or Against or abstain from voting. For the advisory vote on the compensation of our named executive officers, you may vote For or Against or abstain from voting. For the advisory vote on the frequency with which executive compensation will be subject to a stockholder advisory vote, your vote may be cast for every 1 Year, 2 Years, or 3 Years, or you may abstain from voting. For the shareholder

proposal regarding adoption of a majority voting standard for director elections, you may vote For or Against or abstain from voting. The procedures for voting are described below, based upon your form of ownership.

***Stockholder of Record: Shares Registered in Your Name***

If you are a stockholder of record, you may vote in person at the Annual Meeting. We will give you a ballot when you arrive.

If you do not wish to vote in person or you will not be attending the Annual Meeting, you may vote by proxy. You may vote by proxy using the enclosed proxy card, vote by proxy on the Internet or vote by proxy over the telephone. The procedures for voting by proxy are as follows:

To vote by proxy using the enclosed proxy card, complete, sign and date your proxy card and return it promptly in the envelope provided.

To vote by proxy on the Internet, go to [www.investorvote.com/MASI](http://www.investorvote.com/MASI) and follow the instructions set forth on the Internet site.

To vote by proxy over the telephone, dial the toll-free phone number listed on your proxy card under the heading Vote by telephone using a touch-tone phone and follow the recorded instructions.

If you vote by proxy, your vote must be received by 1:00 a.m. Central Time on June 1, 2011, to be counted.

**We provide Internet and telephone proxy voting with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet and telephone access, such as usage charges from Internet access providers and telephone companies.**

***Beneficial Owner: Shares Registered in the Name of Your Broker, Bank or Other Agent***

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from Masimo. To ensure that your vote is counted, simply complete and mail the proxy card or, if provided by your agent, follow the instructions for submitting your proxy through the Internet or by phone. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent in whose name the shares are registered. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker, bank or other agent to request a proxy form.

**How do I vote my Masimo shares held through the Masimo Retirement Savings Plan?**

If you hold shares of Masimo common stock through the Masimo Retirement Savings Plan (the Savings Plan) as of the record date, your proxy will also serve as a voting instruction for Principal Financial Group (Principal), which serves as the administrator of the Savings Plan, with respect to shares of Masimo common stock that you hold through the Savings Plan. You should sign the proxy card and return it in the enclosed envelope, or you may submit your proxy over the Internet or by telephone by following the instructions on the enclosed card. We will notify Principal of the manner in which you have directed your Savings Plan shares to be voted. Principal will vote your Savings Plan shares as of the record date in the manner that you direct. If we do not receive your voting instructions from you by May 26, 2011, Principal will vote your Savings Plan shares as of the record date in the same manner, proportionally, as it votes the other shares of common stock for which proper and timely voting instructions of other Savings Plan participants have been received by Principal.

**How many votes do I have?**

On each matter to be voted upon, holders of common stock will have one vote for each share of common stock they owned as of the close of business on April 18, 2011, the record date for the Annual Meeting.

**Will my vote be kept confidential?**

Proxies, ballots and voting tabulations are handled on a confidential basis to protect your voting privacy. This information will not be disclosed, except as required by law.

**Who is paying for this proxy solicitation?**

We will bear the cost of soliciting proxies for the Annual Meeting. We will ask banks, brokerage houses, fiduciaries and custodians holding shares of Masimo common stock in their names for others to send proxy materials to and obtain proxies from the beneficial owners of such shares, and we will reimburse them for their reasonable expenses in doing so. In addition, we may retain Georgeson Inc. to act as a proxy solicitor in conjunction with the Annual Meeting. If we retain Georgeson, we will agree to pay the firm a fee not to exceed \$10,000, plus reasonable expenses, costs and disbursements for proxy solicitation services. We and our directors, officers and regular employees may supplement the proxy solicitor's solicitation of proxies by mail, personally, by telephone or by other appropriate means. No additional compensation will be paid to directors, officers or other regular employees for such services.

**What does it mean if I receive more than one proxy card?**

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return **each** proxy card to ensure that all of your shares are voted.

**Can I change my vote after submitting my proxy?**

Yes. You can revoke your proxy at any time before the final vote at the Annual Meeting. If you are a stockholder of record, you may revoke your proxy in any one of three ways:

You may submit another properly completed and executed proxy card with a later date;

You may submit a new proxy through the Internet or by telephone (1-800-652-VOTE) (your latest Internet or telephone instructions submitted prior to the deadline will be followed);

You may send a written notice that you are revoking your proxy to our Corporate Secretary, c/o Masimo Corporation, 40 Parker, Irvine, California 92618; or

You may attend the Annual Meeting and vote in person. However, simply attending the Annual Meeting will not, by itself, revoke your proxy.

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, follow the voting instructions from that organization included with these proxy materials, or contact that organization to determine how you may revoke your proxy.

Votes will be counted by the inspector of election appointed for the Annual Meeting.

**How are my shares voted if I give no specific instruction?**

We must vote your shares as you have instructed. If there is a matter on which a stockholder of record has given no specific instruction but has authorized us generally to vote the shares, they will be voted as follows:

For the election of the two Class I director nominees;

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For the ratification of the selection of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2011;

For the approval, on an advisory basis, of the compensation of our named executive officers, as set forth in this Proxy Statement;

For a triennial (3 year) advisory vote to approve named executive compensation; and

Against the shareholder proposal regarding adoption of a majority voting standard for director elections.

This authorization would exist, for example, if a stockholder of record merely signs, dates and returns the proxy card but does not indicate how its shares are to be voted on one or more proposals. If other matters properly come before the Annual Meeting and you do not provide specific voting instructions, your shares will be voted in the discretion of the proxies.

If your shares are held in street name, see "What is a broker non-vote?" below regarding the ability of banks, brokers, and other such holders of record to vote the uninstructed shares of their customers or other beneficial owners in their discretion and regarding broker non-votes.

**What is a broker non-vote?**

Under rules that govern banks, brokers and others who have record ownership of company stock held in brokerage accounts for their clients who beneficially own the shares, these banks, brokers and other such holders who do not receive voting instructions from their clients have the discretion to vote uninstructed shares on certain matters ( discretionary matters ) but do not have discretion to vote uninstructed shares as to certain other matters ( non-discretionary matters ). A broker may return a proxy card on behalf of a beneficial owner from whom the broker has not received voting instructions that casts a vote with regard to discretionary matters but expressly states that the broker is not voting as to non-discretionary matters. The broker's inability to vote with respect to the non-discretionary matters with respect to which the broker has not received voting instructions from the beneficial owner is referred to as a broker non-vote.

**What are the voting requirements that apply to the proposals discussed in this Proxy Statement?**

Proposal	Vote Required	Discretionary Voting Allowed?
1. Election of Directors	Plurality	No
2. Ratification of Auditors	Majority	Yes
3. Advisory Vote on Executive Compensation Program	Majority	No
4. Advisory Vote on Frequency of Advisory Vote on Executive Compensation Program	Plurality	No
5. Shareowner Proposal	Majority	No

A plurality means, with regard to the election of directors, that the two nominees for director receiving the greatest number of for votes from our shares entitled to vote will be elected. A plurality with regard to the advisory vote on the frequency of the shareowner vote on executive compensation program means that the option (every one, two or three years) receiving the greatest number of for votes will be considered the frequency recommended by stockholders.

A majority means that a proposal receives a number of for votes that is a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the Annual Meeting.

Discretionary voting occurs when a bank, broker, or other holder of record does not receive voting instructions from the beneficial owner and votes those shares in its discretion on any proposal as to which rules permit such bank, broker, or other holder of record to vote. As noted above, when banks, brokers, and other holders of record are not permitted under the rules to vote the beneficial owner's shares, the affected shares are referred to as broker non-votes.

Although the advisory votes on Proposals 3 and 4 are non-binding, as provided by law, our Board will review the results of the votes and, consistent with our record of shareowner engagement, will take the results into account in making a determination concerning executive compensation and the frequency of such advisory votes.

**What is the effect of withhold authority votes, abstentions and broker non-votes?**

*Withhold Votes:* Shares subject to instructions to withhold authority to vote on the election of directors will not be voted. This will have no effect on the election of directors because, under plurality voting rules, the two director nominees receiving the highest number of for votes will be elected.

*Abstentions:* Under Delaware law (under which Masimo is incorporated), abstentions are counted as shares present and entitled to vote at the Annual Meeting. Therefore, abstentions will have the same effect as a vote against : Proposal No. 2 Ratification of Auditors; Proposal No. 3 Advisory Vote on Executive Compensation Program; and Proposal No. 5 Shareowner Proposal. Because the voting requirement applicable to Proposal No. 4 the frequency of the shareowner vote on the compensation of our named executive officers is a plurality of the shares voted on the various options, an abstention with regard to this proposal will have no effect on the outcome of the vote.

*Broker Non-Votes:* As a result of a change in rules related to discretionary voting and broker non-votes, banks, brokers, and other such record holders are no longer permitted to vote the uninstructed shares of their customers on a discretionary basis in the election of directors or on executive compensation program matters (they have long been prohibited from doing so on shareowner proposals that are opposed by management). Because broker non-votes are not considered under Delaware law to be entitled to vote at the Annual Meeting, they will have no effect on the outcome of the vote on: Proposal 1 the election of directors; Proposal No. 3 Advisory Vote on Executive Compensation Program; Proposal No. 4 the frequency of the shareowner vote on the compensation of our named executive officers; and Proposal No. 5 Shareowner Proposal. As a result, if you hold your shares in street name and you do not instruct your bank, broker, or other such holder how to vote your shares in the election of directors, on the two advisory votes related to our executive compensation program and on the shareowner proposal, no votes will be cast on your behalf on these proposals. **Therefore, it is critical that you indicate your vote on these proposals if you want your vote to be counted.** The proposal to ratify the selection of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2011 should be considered a routine matter. Therefore, your broker will be able to vote on this proposal even if it does not receive instructions from you, so long as it holds your shares in its name.

**What is the quorum requirement?**

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of our outstanding shares of common stock are represented by votes at the Annual Meeting or by proxy. At the close of business on April 18, 2011, the record date for the Annual Meeting, there were 59,759,684 shares of common stock outstanding. Thus, a total of 59,759,684 shares are entitled to vote at the Annual Meeting and holders of common stock representing at least 29,879,843 votes must be represented at the Annual Meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or if one is submitted on your behalf by your broker, bank or other agent) or if you vote in person at the Annual Meeting. Votes withheld from a director nominee and abstentions will be counted towards the quorum requirement. Broker non-votes will be counted towards the quorum requirement. If there is no quorum, the chairman of the meeting or a majority of the shares present at the Annual Meeting may adjourn the Annual Meeting to another date.

**Who will count the votes?**

The votes will be counted, tabulated and certified by Computershare, Inc., Masimo's transfer agent and registrar for the company's common stock.

**I also have received a copy of Masimo Corporation's Annual Report on Form 10-K. Is that a part of the proxy materials?**

Our Annual Report on Form 10-K for the fiscal year ended January 1, 2011, as filed with the Securities and Exchange Commission (the "SEC") on February 16, 2011, accompanies this Proxy Statement. This document constitutes our Annual Report to Stockholders, and is being made available to all stockholders entitled to receive notice of and to vote at the Annual Meeting. Except as otherwise stated, the Annual Report on Form 10-K is not incorporated into this Proxy Statement and should not be considered proxy solicitation material.

**How can I find out the results of the voting at the Annual Meeting?**

Voting results are expected to be announced at the Annual Meeting and will also be disclosed in a Current Report on Form 8-K (the "Form 8-K") that we will file with the SEC within four business days of the date of the Annual Meeting. In the event the results disclosed in our Form 8-K are preliminary, we will subsequently amend the Form 8-K to report the final voting results within four business days of the date that such results are known.

**When are stockholder proposals due for next year's annual meeting of stockholders?**

Stockholders may submit proposals on matters appropriate for stockholder action at the next annual meeting of the Company's stockholders consistent with Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). To be considered for inclusion in proxy materials for our 2012 Annual Meeting of Stockholders, a stockholder proposal must be submitted in writing no later than December 29, 2011 to our Corporate Secretary at 40 Parker, Irvine, California 92618. If you wish to submit a proposal that is not to be included in the proxy materials for our 2012 Annual Meeting of Stockholders, your proposal generally must be submitted in writing to the same address no later than March 13, 2012, but no earlier than February 12, 2012. Please review our bylaws, which contain additional requirements regarding advance notice of stockholder proposals. You may view our bylaws by visiting the SEC's Internet website at [www.sec.gov](http://www.sec.gov).

**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

**Overview**

Masimo's Board of Directors presently has six members and is divided into three classes, designated Class I, Class II and Class III. Each class consists of two directors and each class has a three-year term. Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors in office (even though the remaining directors may constitute less than a quorum). A director elected by our Board of Directors to fill a vacancy in a Class, including a vacancy created by an increase in the number of directors, shall serve for the remainder of the full term of that Class and until the director's successor is elected and qualified or until the director's earlier death, resignation or removal.

The term of office of the two Class I directors expires in 2011. Each of the nominees listed below is currently a director of Masimo. If elected at the Annual Meeting, each of these nominees would serve until the 2014 annual meeting of stockholders and until his successor is elected and qualified or, if sooner, until the director's death, resignation or removal. It is Masimo's policy to invite directors and nominees for director to attend the Annual Meeting either in person, by telephone or by webcast.

Directors are elected by a plurality of the votes present at the Annual Meeting or by proxy and entitled to vote at the Annual Meeting. The two nominees receiving the most For votes (among votes properly cast in person or by proxy) will be elected. If no contrary indication is made, shares represented by executed proxies will be voted For the election of the two nominees named below or, if either nominee becomes unavailable for election as a result of an unexpected occurrence, For the election of a substitute nominee designated by our Board of Directors. Each nominee has agreed to serve as a director if elected and we have no reason to believe that any nominee will be unable to serve.

There are no family relationships between or among any of our officers or directors.

**Nominees**

The following sets forth the names and ages, as of February 28, 2011, of the nominees for director and each director whose term will continue after the Annual Meeting, and certain other information about them.

***Nominees for Election for a Three-year Term Expiring at the 2014 Annual Meeting of Stockholders***

***Steven J. Barker, M.D., Ph.D.***, age 66, has served as a member of our Board since October 2005. Dr. Barker has served as the Professor and Head of Anesthesiology, University of Arizona College of Medicine since October 1995. From August 1990 to October 1995, Dr. Barker served as Chairman of Anesthesiology at the University of California, Irvine. He also holds a joint appointment as Professor of Mechanical and Aerospace Engineering. Dr. Barker is an oral examiner for the American Board of Anesthesiology, and is the Section Editor for Technology, Computing, and Simulation in the journal of Anesthesia and Analgesia. He also holds a B.S. in Physics and an M.S. and a Ph.D. in Mechanical Engineering from the California Institute of Technology and an M.D. from the University of Miami. Our Nominating and Corporate Governance Committee believes Dr. Barker's academic and medical background, as well as his in-depth knowledge of the healthcare industry and hospital operations, academic administration and managed care industry, provide him with a critical perspective regarding Masimo's products, technologies and prospects. His medical background, including his expertise in anesthesiology, are particularly relevant to Masimo when the Company evaluates its products and technologies. In addition, Dr. Barker is able to provide us with the unique perspective of a physician.



**Sanford Fitch**, age 70, has served as a member of our Board since November 2006. Mr. Fitch was a director and the chair of the audit committee of Fox Hollow Technologies Inc., a medical device company, from August 2004 until the company was acquired by ev3 Inc. in October 2007. From March 2001 to December 2002, Mr. Fitch served as Vice President of Finance and Chief Financial Officer of Alvesta, a fiber optic component manufacturing company. From March 2000 to December 2000, Mr. Fitch served as Senior Vice President of Finance and Chief Financial Officer of Cruel World, an internet-based recruiting company. From December 1994 to November 1998, Mr. Fitch served as Senior Vice President of Finance and Operations and Chief Financial Officer of Conceptus, a manufacturer of contraceptive medical devices. From January 1991 to February 1994, he served as Vice President of Finance and Administration and Chief Financial Officer at SanDisk, a manufacturer of flash memory products. Mr. Fitch currently serves on the board of directors of IRIDEX, a publicly-traded manufacturer of medical laser systems. Mr. Fitch holds a B.S. in Chemistry and an M.B.A. from Stanford University. Our Nominating and Corporate Governance Committee finds Mr. Fitch's financial background to be extremely helpful to the Board and suited to his role as Chairperson of our Audit Committee. Mr. Fitch brings to us previous experience as a Chief Financial Officer for multiple companies over his long career, and as audit committee chairperson of a public company, which uniquely qualify him to serve as our Audit Committee Chairperson. In addition to his leadership and management skills, Mr. Fitch has considerable financial, auditing, risk management and corporate governance experience and he is an audit committee financial expert under the SEC's rules, all of which enable him to make valuable contributions to the Board and the Audit Committee.

### THE BOARD OF DIRECTORS RECOMMENDS

#### A VOTE FOR THE ELECTION OF EACH NOMINEE NAMED ABOVE.

#### *Directors Continuing in Office Until the 2012 Annual Meeting of Stockholders*

**Edward L. Cahill**, age 57, has served as a member of our Board since January 1999. Mr. Cahill has served as Managing Partner of HLM Venture Partners, a venture capital firm that invests primarily in emerging companies focused on health care information technology, health care services and medical technology, since May 2000. From June 1995 to May 2000, Mr. Cahill served as a founding partner of Cahill, Warnock & Company (now Camden Partners), a Baltimore venture capital firm. Previously, Mr. Cahill was a Managing Director of Alex, Brown & Sons, an investment services brokerage, where he headed the firm's health care group from January 1986 through March 1995. Mr. Cahill is also a director of several private health care companies and serves as a trustee of Johns Hopkins Medicine, Johns Hopkins Health System and Mercy Health Services. Mr. Cahill holds an A.B. in American Civilization from Williams College and a Master of Public and Private Management degree from Yale University. Our Nominating and Corporate Governance Committee believes Mr. Cahill's diverse and extensive board of directors and management experience, which has included public and private companies in the life sciences industry, provides him with key skills in working with directors, understanding board process and functions and working with financial statements. He brings to our Board the perspective of an experienced long-term investor in numerous biotechnology companies, as well as a strong financial management background, all of which qualify him for our Audit Committee and our Nominating and Corporate Governance Committee. In addition, Mr. Cahill has extensive experience with mergers and acquisitions.

**Robert Coleman, Ph.D.**, age 65, has served as a member of our Board since February 1997. Since October 1997, Dr. Coleman has served as Chairman of WaveSense, a developer of analytical nanotechnologies for use in cellular and molecular assay markets. In December 2010, Dr. Coleman became a board member at Therix Medical Development, Ltd., an early stage technology development and investment company focused on medical devices and diagnostics. He has also served as a board member of SensAble Technologies, a developer of 3D touch-enabled (force feedback) solutions and technology, since April 1996 and as a board member of IntelliDX Inc., a developer of automated bedside blood analyzers, from August 2008 to January 2010. Dr. Coleman was a member of the board of directors of VivoMedical Inc., an early-stage medical device company that develops non-invasive glucose monitors, from October 2006 to February 2009. Dr. Coleman was President and CEO of MediSense, Inc., a manufacturer of blood glucose self-testing devices, from 1991 to May 1996, and President of

MediSense, Inc., an Abbott Laboratories Company, from June 1996 to December 1996. He co-founded Nova Biomedical Corporation, a manufacturer of clinical laboratory equipment, and served as its President and CEO from April 1976 to August 1991. Dr. Coleman holds a B.S. in Chemistry from Morehead State University and a Ph.D. in Analytical Chemistry from the University of Tennessee. Our Nominating and Corporate Governance Committee believes Dr. Coleman's diverse and far-ranging executive and operational experience as a chief executive officer of multiple companies, including MediSense and Nova Biomedical, has provided him with a deep understanding of overseeing compensation practices and finance matters, and qualifies him to serve as a member of our Audit Committee and as the Chairperson of our Compensation Committee. In addition, Dr. Coleman's analytical skills and broad experience with life sciences companies allows him to assist our Board in evaluating and refining our business strategies and commercial objectives.

*Directors Continuing in Office Until the 2013 Annual Meeting of Stockholders*

**Joe Kiani**, age 46, is the founder of Masimo and has served as Chief Executive Officer and Chairman of the Board since our inception in 1989. He is an inventor on more than 50 patents related to signal processing, sensors and patient monitoring, including patents for the invention of measure-through motion and low-perfusion pulse oximetry. Mr. Kiani is currently on the Board of Directors of Saba Software, Inc., a publicly-traded software company focused on human capital development and management solutions. Mr. Kiani holds a B.S.E.E. and an M.S.E.E. from San Diego State University. As our founder of Masimo, and as the Company's Chairman and CEO since its formation in 1989, Mr. Kiani has the deepest understanding of Masimo, our history, our culture and our technology. He has a broad experience in a wide range of functional areas, including strategic planning, strategic investments, engineering and development, legal and governmental affairs. Mr. Kiani is critical to the Company's continued development and growth. He also brings to the Board his experience in serving as the Chairman of a non-profit organization and his membership on the board of directors of another public company.

**Jack Lasersohn**, age 57, has served as a member of our Board since January 1995. Mr. Lasersohn has been a general partner, or a principal of the general partner, of The Vertical Group, L.P., a private venture capital firm that is focused on the fields of medical technology and biotechnology. He has over 27 years of experience in health care venture capital investments. Prior to joining The Vertical Group's predecessor, F. Eberstadt, in 1981, Mr. Lasersohn was a corporate attorney with Cravath, Swaine & Moore LLP. From June 2007 to September 2009, he served as a director of ALUS Liquidation Corp., formerly known as Alsius Corporation, a medical device company that was publicly-traded until May 2009. In addition, Mr. Lasersohn served as a director of Metabolix Inc., a publicly-traded biotechnology company, from December 1999 to May 2008. He also serves on the boards of a number of private medical device and biotechnology companies. Mr. Lasersohn is the past Chairman of the Medical Industry Group of the National Venture Capital Association ( NVCA ) and currently serves on the Board of Directors of the NVCA. Mr. Lasersohn holds a B.S. in Physics from Tufts University, an M.A. from The Fletcher School of Law and Diplomacy, and a J.D. from Yale Law School. The totality of his professional experience, which has provided him with extensive expertise in medical device, biotechnology and other life sciences companies, has provided Mr. Lasersohn with the background and experience of board processes, function, compensation practices and oversight of management which is valuable to the Board, the Compensation Committee and in his role as Chairperson of the Nominating and Corporate Governance Committee. Mr. Lasersohn also brings to the Board his experience in serving on the board of directors and key committees of other public companies throughout his career, including a number of life sciences companies, which is important during Board discussions regarding our strategy and business operations.

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**INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**

**General**

This section describes key corporate governance guidelines and practices that we have adopted. Complete copies of our Corporate Governance Guidelines, the charters of the committees of our Board of Directors and our Code of Business Conduct and Ethics described below may be viewed on our Internet website at <http://ir.masimo.com> under Corporate Governance. Alternately, you can request a copy of any of these documents free of charge by writing to our Corporate Secretary, c/o Masimo Corporation, 40 Parker, Irvine, California 92618.

**Corporate Governance Guidelines**

Our Board of Directors has adopted corporate governance guidelines to assist the Board in the exercise of its duties and responsibilities and to serve the best interests of Masimo and our stockholders. These guidelines, which provide a framework for the conduct of the Board's business, provide that:

except with respect to matters reserved to our stockholders, our Board of Directors, which selects our senior management team, is our ultimate decision-making body;

the primary responsibilities of our Board are oversight, counseling and direction to management of Masimo for the benefit of Masimo and our stockholders;

it is our policy that except in unusual circumstances, the positions of the Chairman of our Board and our Chief Executive Officer be held by the same person;

a majority of the members of our Board shall be independent directors;

ordinarily, directors should not serve on more than four boards of publicly-traded companies, including our Board;

our Board and our Board committees have full and free access to management and, as necessary and appropriate, independent advisors;

the independent directors meet regularly in executive session;

on an annual basis, our Board and each of its committees will conduct a self-evaluation to determine whether they are functioning effectively; and

members of our Board shall regularly review developments in the areas of corporate governance and board service, hold periodic meetings with key members of our management and, as deemed appropriate, make visits to our key facilities.

**Independence of the Board of Directors**

Our Board has the responsibility for establishing corporate policies and for the overall performance of the Company, although it is not involved in day-to-day operations. As required under the marketplace rules of the Nasdaq Stock Market, LLC (Nasdaq), a majority of the members of a listed company's board of directors must qualify as independent, as affirmatively determined by our Board. Our Board consults with our counsel to ensure that the Board's determinations are consistent with all relevant securities and other laws and regulations regarding the definition of independent, including those set forth in applicable Nasdaq rules, as in effect from time to time. Consistent with these considerations, after

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review of all relevant transactions or relationships between each director, or any of his family members, and Masimo, our senior management and our independent auditors, our Board has determined that all of our directors other than Mr. Kiani are independent, as defined in Nasdaq Listing Rule 5605(a)(2).

### **Board Leadership Structure**

Our Board believes that our Chief Executive Officer is best situated to serve as Chairman because he is the director that is most familiar with our business and industry, possesses detailed and in-depth knowledge of the issues, opportunities and challenges facing us and is therefore best positioned to develop agendas that ensure that the Board's time and attention are focused on the most critical matters. Our independent directors bring experience, oversight and expertise from outside the company and industry, while the Chief Executive Officer brings company-specific experience and expertise. The Board believes that the combined role of Chairman and Chief Executive Officer facilitates information flow between management and the Board, which are essential to effective governance.

### **Board's Role in Risk Oversight**

Our Board has an active role, as a whole and also at the committee level, in overseeing management of our risks. The Board regularly reviews information regarding our credit, liquidity and operations, as well as the risks associated with each. Our Compensation Committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements. Our Audit Committee oversees management of financial risks. Our Nominating and Corporate Governance Committee manages risks associated with the independence of the Board of Directors and potential conflicts of interest and oversees management of risks associated with environmental, health and safety concerns. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, our entire Board of Directors is informed about such risks by the committees.

### **Information Regarding the Board of Directors**

We are committed to maintaining the highest standards of business conduct and ethics. Our Board has adopted Corporate Governance Guidelines to assure that our Board will have the necessary authority and practices in place to review and evaluate our business operations as needed and to make decisions that are independent of our management. The guidelines are also intended to align the interests of directors and management with those of our stockholders. The Corporate Governance Guidelines set forth the practices our Board will follow with respect to board composition and selection, board meetings and involvement of senior management, Chief Executive Officer performance evaluation and succession planning and board committees and compensation. Our Board adopted the Corporate Governance Guidelines to, among other things, reflect changes to the Nasdaq listing standards and SEC rules adopted to implement provisions of the Sarbanes-Oxley Act of 2002. Our Corporate Governance Guidelines may be viewed on our Internet website at

<http://ir.masimo.com> under Corporate Governance.

### **Meetings**

Our Board meets on a regular basis throughout the year to review significant developments affecting the Company and to act upon matters requiring its approval. Our Board also holds special meetings as required from time to time when important matters arise requiring Board action between scheduled meetings. During 2010, our Board of Directors met ten times and acted by unanimous written consent one time. None of our directors attended fewer than 75% of the total number of meetings of the Board of Directors held during 2010.

### **Executive Sessions**

As required under applicable Nasdaq listing standards, our independent directors periodically meet in executive session at which only they are present.

### **Policy Regarding Board Member Attendance at Annual Meetings**

It is the policy of our Board to invite directors and nominees for director to attend annual meetings of our stockholders. We held one annual meeting of stockholders in 2010. Mr. Kiani was the only member of our Board who attended the meeting.

**Information Regarding Board Committees**

Our Board has established standing Audit, Compensation and Nominating and Corporate Governance Committees to devote attention to specific subjects and to assist it in the discharge of its responsibilities. All three committees operate under a written charter adopted by our Board of Directors, each of which is available on our Internet website at <http://ir.masimo.com> under Corporate Governance. The following table provides membership and meeting information for fiscal year 2010 for each of the Board committees. Each director attended at least 75% of the meetings of the committees of Board on which he served, held during the period for which he was a committee member.

Name	Audit	Compensation	Nominating and Corporate Governance
<b>Employee Director:</b>			
Joe Kiani			
<b>Non-Employee Directors:</b>			
Steven J. Barker, M.D., Ph.D.		X	X
Edward L. Cahill	X		X
Robert Coleman, Ph.D.	X	X <sup>(1)</sup>	
Sanford Fitch	X <sup>(1)</sup>		
Jack Lasersohn		X	X <sup>(1)</sup>
Total meetings in fiscal year 2010	4	3	1
Total actions by written consent in fiscal year 2010	0	0	0

<sup>(1)</sup> Committee Chairperson.

Below is a description of each committee of our Board of Directors. Each of the committees has authority to engage legal counsel or other experts or consultants, as it deems appropriate to carry out its responsibilities. The Board of Directors has determined that each member of each committee meets the applicable rules and regulations regarding independence and that each member is free of any relationship that would interfere with his individual exercise of independent judgment with regard to Masimo.

**Audit Committee**

We have a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. Our Audit Committee is comprised of Mr. Cahill, Dr. Coleman and Mr. Fitch. Mr. Fitch serves as the Chairperson of the Audit Committee. The functions of this Committee include, among others:

evaluating our independent registered public accountant's qualifications, independence and performance;

determining the engagement of our independent auditors;

approving the retention of our independent auditors to perform any proposed audit and permissible non-audit services;

monitoring the rotation of partners of our independent auditors on our engagement terms as required by law;

reviewing our financial statements;

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reviewing our critical accounting policies and estimates;

discussing with our management and our independent auditors the results of the annual audit and the review of our quarterly financial statements; and

reviewing and evaluating, at least annually, the performance of the Audit Committee and its members, including compliance of the Audit Committee with its charter.

Typically, the Audit Committee meets at least quarterly and with greater frequency if necessary. Our Board has adopted a written charter of the Audit Committee that is available to stockholders on our Internet website at <http://ir.masimo.com> under Corporate Governance.

Under the applicable rules and regulations of Nasdaq, each member of a company's audit committee