

NAUTILUS, INC.
Form DEF 14A
April 23, 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 under Rule 14a-12

NAUTILUS, INC.

(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):

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(3) Filing Party:

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NAUTILUS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of Nautilus, Inc.:

The annual meeting of stockholders of Nautilus, Inc. (the Company) will be held on Tuesday, May 25, 2010, at the Company's World Headquarters, 16400 SE Nautilus Drive, Vancouver, Washington 98683, beginning at 11:00 a.m. Pacific Daylight Time, for the following purposes:

1. To elect a Board of Directors, consisting of six (6) members, to serve until the next annual meeting of stockholders or until their successors are duly elected and qualified;
2. To ratify the Audit Committee's appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the year ending December 31, 2010; and
3. To consider and act upon any other matter which may properly come before the annual meeting or any adjournment thereof.

Only stockholders who held their shares at the close of business on April 9, 2010, the record date, are entitled to notice of and to vote at the annual meeting or any adjournment or postponement thereof.

All stockholders are cordially invited to attend the annual meeting. **Whether or not you plan to attend the annual meeting, please sign and promptly return the enclosed proxy card, which you may revoke at any time prior to its use.** A prepaid, self-addressed envelope is enclosed for your convenience. Your shares will be voted at the annual meeting in accordance with your proxy.

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By Order of the Board of Directors

WAYNE M. BOLIO

Senior Vice President Law, General Counsel and Secretary

Vancouver, Washington

April 12, 2010

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held On May 25, 2010:

Pursuant to rules promulgated by the Securities and Exchange Commission, or the SEC, we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a notice of annual meeting, and 2009 Annual Report to Stockholders, and by notifying you of the availability of our proxy materials on the Internet. The notice of annual meeting, proxy statement, and 2009 Annual Report to Stockholders are available at <http://www.nautilus.com/proxy>. In accordance with the SEC rules, the materials on the site are searchable, readable and printable, and the site does not have cookies or other tracking devices which identify visitors. Directions to the Company's World Headquarters are available at <http://www.nautilus.com>.

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2010 ANNUAL MEETING OF STOCKHOLDERS

NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

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NAUTILUS, INC.

16400 SE Nautilus Drive

Vancouver, Washington 98683

PROXY STATEMENT

General Information

Our Board of Directors is furnishing this proxy statement and the accompanying Annual Report to Stockholders, notice of annual meeting and proxy card in connection with its solicitation of proxies for use at our 2010 annual meeting of stockholders or any adjournment thereof. The annual meeting will be held on Tuesday, May 25, 2010, beginning at 11:00 a.m., Pacific Daylight Time at the following location:

Nautilus World Headquarters

16400 SE Nautilus Drive

Vancouver, Washington 98683

Our Board of Directors has designated the two persons named on the enclosed proxy card, Edward J. Bramson and Wayne M. Bolio, to serve as proxies in connection with the annual meeting. These proxy materials and the accompanying Annual Report to Stockholders are being mailed on or about April 23, 2010 to our stockholders of record as of April 9, 2010.

Our principal executive offices are located at 16400 SE Nautilus Drive, Vancouver, Washington 98683. As used in this proxy statement, the terms we, our, us, Nautilus, and Company refer to Nautilus, Inc. and its subsidiaries.

Revocability of Proxies

You may revoke any proxy you execute at any time prior to its use at the annual meeting by:

delivering written notice of revocation to our Secretary;

delivering an executed proxy bearing a later date to our Secretary; or

attending the annual meeting and voting in person.

Record Date

Our Board of Directors has fixed the close of business on April 9, 2010 as the record date for determining which of our stockholders are entitled to notice of and to vote at the annual meeting. At the close of business on the record date, 30,744,336 shares of our common stock were outstanding.

Voting; Quorum

Each share of common stock outstanding on the record date is entitled to one vote per share at the annual meeting. Stockholders are not entitled to cumulate their votes. The presence, in person or by proxy, of the holders of a majority of our outstanding shares of common stock is necessary to constitute a quorum at the annual meeting.

Votes Required to Approve each Proposal

If a quorum is present at the annual meeting:

(i) the six nominees who receive the greatest number of votes cast for the election of Directors by the shares present and voting in person or by proxy will be elected as Directors; and

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(ii) the ratification of Deloitte & Touche LLP as our independent registered public accounting firm will be approved if the number of votes cast in favor of the proposal exceeds the number of votes cast against it.

Effect of Abstentions

If you abstain from voting, your shares will be deemed present at the annual meeting for purposes of determining whether a quorum is present. Directors are elected by a plurality of the votes cast, and only votes cast in favor of a nominee will have an effect on the outcome. Therefore, abstention from voting will not affect the outcome of the election of Directors. Abstentions will also not affect the outcome of the proposal to ratify Deloitte & Touche LLP as our independent registered public accounting firm.

Effect of Broker Non-Votes

If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to the proposals to be voted upon at the annual meeting of stockholders. Thus, if you do not give your broker or nominee specific voting instructions, your shares will not be voted on these matters. Such broker non-votes will be counted for determining whether there is a quorum, but will not be counted as votes for or against. Thus broker non-votes will not have any effect on the proposal for election of directors or ratification of Deloitte & Touche LLP as our registered independent public accounting firm.

Proxy Procedure

When a proxy card is properly dated, executed and returned, the shares it represents will be voted at the annual meeting in accordance with the instructions specified in the proxy. If no specific instructions are given, the shares will be voted FOR the election of the Director nominees described below, and FOR the ratification of Deloitte & Touche LLP as our registered independent public accounting firm. If other matters come before the annual meeting, the persons named in the accompanying proxy will vote in accordance with their best judgment with respect to such matters.

Cost of Proxy Solicitation

The Company does not plan to hire a proxy solicitor in connection with the annual meeting, but to the extent the Company chooses to use proxy solicitor services, the Company will pay the related fees and expenses.

Procedures for Stockholder Proposals and Nominations

Under Nautilus Bylaws, nominations for Directors at an annual meeting may be made only by (1) the Board of Directors or a committee of the Board, or (2) a stockholder entitled to vote who has delivered notice to the Company within 90 to 120 days before the first anniversary of the

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date of the mailing of the notice for the preceding year's annual meeting.

Our Bylaws also provide that business may not be brought before an annual meeting unless it is (1) specified in the notice of meeting (which includes stockholder proposals that the Company is required to include in its proxy statement under SEC Rule 14a-8), (2) brought before the meeting by or at the direction of the Board, or (3) brought by a stockholder entitled to vote who has delivered notice to the Company (containing certain information specified in the Bylaws) within 90 to 120 days before the first anniversary of the date of the mailing of the notice for the preceding year's annual meeting. In addition, you must comply with SEC Rule 14a-8 to have your proposal included in the Company's proxy statement.

A copy of the full text of the Company's Bylaws may be obtained upon written request to the Corporate Secretary at the address provided on page 1 of this proxy statement.

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Where You Can Find More Information

We file our proxy statements and other information with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended ("Exchange Act"). You can inspect and obtain a copy of our proxy statement and other information filed with the SEC at the offices of the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC maintains an Internet site at <http://www.sec.gov/> where you can obtain most of our SEC filings. We also make available, free of charge, on our website at www.nautilus.com, our proxy statements filed with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after they are filed electronically with the SEC.

PROPOSAL 1:

ELECTION OF DIRECTORS

In accordance with our amended and restated bylaws, our Board of Directors shall be comprised of seven (7) Directors, provided, however that the number may be decreased by resolution of our Board of Directors. At the time of this proxy statement, the Board has six (6) Directors. The Board feels that six (6) directors currently is sufficient to govern the activities of the Company.

At the annual meeting, our stockholders will elect a Board of six (6) Directors to serve until the 2011 annual meeting or until their respective successors are elected and qualified. Our Board of Directors has nominated the individuals listed below to serve on our Board. All of the nominees currently are members of our Board of Directors. If any nominee is unable or unwilling to serve as a Director at the time of the annual meeting, our Board of Directors may provide for a lesser number of Directors or designate a substitute. If our Board of Directors designates a substitute, the proxy holders will have the discretionary authority to vote for the substitute. Proxies may not be voted for more than six nominees.

The Board unanimously recommends that you vote FOR each of the following nominees for election as Director:

Edward J. Bramson, 59, Chairman, was elected to our Board of Directors, in December 2007, and became our Chief Executive Officer ("CEO") on March 26, 2008. In addition to his duties as our Chairman and CEO, Mr. Bramson serves as the managing member of Sherborne Investors GP, LLC ("Sherborne Investors GP") and Sherborne Investors Management GP, LLC ("Sherborne Management GP") and, as such, manages the investment activities of certain funds controlled by Sherborne Investors GP and Sherborne Management GP. Mr. Bramson has held these positions since May of 2006. From December 2006 to September 2008, Mr. Bramson served as Executive Chairman of Spirent Communications plc ("Spirent"), a global communications technology company listed on the London Stock Exchange (the "LSE"). From September 2008 until March 2010, he served as non-executive chairman of Spirent, and is currently a non-executive director of the company. Investment vehicles managed by affiliates of Mr. Bramson owned approximately 20% of the outstanding ordinary shares of Spirent until 2009. Previously, Mr. Bramson served as Chairman and a Director of (i) Ampex Corporation ("Ampex"), a manufacturer of specialized data recording devices and a licensor of proprietary digital video technologies listed on the NASDAQ Stock Market from 1992 until February 2007. Ampex Corporation filed for Chapter 11 bankruptcy protection in May 2008, from which it emerged in September 2008; (ii) Elementis plc, a global specialty chemicals company listed on the LSE, from June 2005 to September 2006 and (iii) 4imprint Group PLC, a U.K. promotional products company listed on the LSE, from October 2003 to July 2004. Investment vehicles managed by affiliates of Mr. Bramson effected operational turnarounds with respect to, and invested in, Elementis and 4imprint. The Board of Directors determined that Mr. Bramson has the requisite experience and expertise to be a director of Nautilus, Inc. He has extensive experience as an executive and thus provides valuable insight to the Board of Directors on the day-to-day operations of the company. As a representative of Sherborne Investors, our largest stockholder, Mr. Bramson is

positioned to inform the Board on governance questions from a stockholder perspective.

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Ronald P. Badie, 67, joined our Board of Directors in August 2005. Mr. Badie is a member of the Compensation Committee and the Nominating and Governance Committee. Mr. Badie spent over 35 years with Deutsche Bank and its predecessor, Bankers Trust Company, retiring in 2002 as Vice Chairman of Deutsche Bank Alex Brown (now Deutsche Bank Securities), the firm's investment banking subsidiary. Mr. Badie currently serves as a Director and audit committee member of Obagi Medical Products, Inc., Amphenol Corporation, and Merisel, Inc. In addition, Mr. Badie is the chairman of the compensation committee for Obagi Medical Products. Mr. Badie is a graduate of Bucknell University and received an MBA from New York University's Stern School of Business. The Board of Directors determined that Mr. Badie has the requisite experience and expertise to be a director of Nautilus, Inc. Mr. Badie has had broad experience while serving as a director of several publicly-traded and privately-held companies. In addition, Mr. Badie spent many years as an investment banker and has extensive experience in structured finance and capital markets transactions.

Richard A. Horn, 62, was elected to our Board of Directors in December 2007. Mr. Horn is Chairman of the Nominating and Governance Committee and is also a member of the Audit Committee and the Compensation Committee. Mr. Horn has been a private investor since February 2002. Mr. Horn was General Manager of the PetsHotel Division of PETsMART, Inc., a publicly-traded company, from April 2001 through February 2002. From January 1999 through March 2001, he was Senior Vice-President and General Merchandise Manager of PETsMART.com, Inc. and from July 1994 until December 1998, he was Vice-President and General Merchandise Manager of PETsMART, Inc. From 1992 to 1994, Mr. Horn was Chief Financial Officer of Weisheimer Companies, Inc. Mr. Horn currently serves on the Board of Directors of Lucky Litter L.L.C., a privately-financed manufacturer and marketer of pet products, and as the Chairman of the Board of Trustees of The Saint Joseph's Hospital Foundation, and as a Trustee and Treasurer of Scottsdale Artists' School. The Board of Directors determined that Mr. Horn has the requisite experience and expertise to be a director of Nautilus, Inc. As a former retail merchandising and direct-marketing manager, former chief financial officer and a former partner at Coopers & Lybrand, Mr. Horn brings particular expertise to the Board of Directors in the areas of sales, merchandising, consumer products and service industries, investor relations, financial reporting, accounting and auditing for complex multinational operations.

Craig L. McKibben, 60, was appointed to our Board of Directors on December 18, 2009, effective December 31, 2009. Mr. McKibben has, since 2002, been a Managing Director, Partner and the Chief Financial Officer of Sherborne Investors LP, Sherborne Investors Management LP and certain of their affiliates (Sherborne). Mr. McKibben served as Chief Financial Officer of Ampex Corporation from 1992 until September 2008. Mr. McKibben also served on the Board of Directors of Ampex from 1992 until September 2008. Ampex formerly was a publicly-traded company. Ampex filed for Chapter 11 bankruptcy protection in May 2008, from which it emerged in September 2008, at which time Mr. McKibben resigned from his positions with the company. The Board of Directors determined that Mr. McKibben has the requisite experience and expertise to be a director of Nautilus, Inc. As acting managing director, partner and chief financial officer of Sherborne and a former chief financial officer of a publicly-traded company, Mr. McKibben brings particular expertise to the Board of Directors in the areas of corporate finance and investor relations and is able to provide a stockholder perspective as a representative of Sherborne.

Marvin G. Siegert, 61, joined our Board of Directors in August 2005. Mr. Siegert is Chairman of the Audit Committee. Currently a private investor, Mr. Siegert was President and Chief Operating Officer of The Pyle Group LLC, a private equity investment group, from 1996 until July 2007. Prior to The Pyle Group, Mr. Siegert spent 26 years with Rayovac Corporation, a manufacturer of batteries and lighting products, where he held various positions, with his most recent position as Senior Vice President and Chief Financial Officer. Currently, Mr. Siegert serves as Audit Committee Chairman on the Board of Directors of Great Lakes Educational Loan Services, Inc., a privately-held student loan servicing company, and is a member of the Board of Directors of Hy Cite Corporation, a privately-held direct sales marketing company. Mr. Siegert graduated from the University of Wisconsin, Whitewater with a degree in Accounting and holds a master's degree in Management from the University of Wisconsin, Madison. The Board of Directors determined that Mr. Siegert has the requisite experience and expertise to be a director of Nautilus, Inc. As a former president and chief operating officer of a

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private equity investment group and former chief financial officer of a publicly-traded global consumer products company, Mr. Siegert brings a particular expertise to the Board of Directors in the areas of consumer products, investor relations and financial strategies.

Michael A. Stein, 60, was elected to our Board in December 2007. Mr. Stein is Chairman of the Compensation Committee and is also a member of the Audit Committee and the Nominating and Governance Committee. From 2001 until its acquisition by Eli Lilly in 2007, Mr. Stein served as Chief Financial Officer of ICOS Corporation, a biotechnology company based in Bothell, Washington. From 1998 to 2000, Mr. Stein was Chief Financial Officer of Nordstrom, Inc. From 1989 to 1998, Mr. Stein served in various capacities with Marriott International, Inc., including Chief Financial Officer from 1993 to 1998. Mr. Stein serves on the Board of Directors of Apartment Investment and Management Company, a publicly-held company, and the Board of Directors of Providence Health & Services, a not-for-profit health system operating hospitals and other health care facilities across Alaska, Washington, Montana, Oregon and California. He is a Certified Public Accountant (inactive) and received his B.S. in business administration from the University of Maryland at College Park. The Board of Directors determined that Mr. Stein has the requisite experience and expertise to be a director of Nautilus, Inc. As the former chief financial officer of three companies, including two NYSE-listed companies, and a former partner at Arthur Andersen, Mr. Stein brings particular expertise to the Board of Directors in the areas of corporate finance, the consumer products and services industries, and investor relations, reporting, accounting and auditing for complex, multinational operations.

No family relationship exists among any of the Directors or executive officers. No arrangement or understanding exists between any Director or executive officer and any other person pursuant to which any Director was selected as a Director or executive officer of the Company.

INFORMATION CONCERNING THE BOARD OF DIRECTORS

The Board of Directors oversees the overall performance of the Company on your behalf. Members of the Board stay informed of the Company's business through discussions with the Chief Executive Officer and other members of the executive team of the Company, by reviewing materials provided them, and by participating in regularly scheduled Board and committee meetings.

Corporate Governance

The Nautilus Board of Directors is elected by the stockholders to govern the business and affairs of the Company. The Board selects the senior management team, which is charged with conducting the Company's business. Having selected the senior management team, the Board acts as an advisor to senior management and monitors their performance. The Board reviews the Company's strategies, financial objectives and operating plans. It also plans for management succession of the Chief Executive Officer, as well as other senior management positions, and oversees the Company's compliance efforts.

The Board of Directors has determined that each of Ronald P. Badie, Richard A. Horn, Marvin G. Siegert, and Michael A. Stein qualify as an independent director for purposes of the Company's Corporate Governance Guidelines (available on the Company's website at www.nautilusinc.com), Section 303A.02 of the Listed Company Manual of the New York Stock Exchange, and applicable rules of the SEC, and that each such person is free of any relationship that would interfere with the individual exercise of independent judgment. The Board of Directors has further determined that each member of the three committees of the Board of Directors meets the independence requirements applicable to those committees prescribed by the Listed Company Manual and the SEC, including Rule 10A-3(b)(1) under the Securities Exchange Act related to audit committee member independence.

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The Board of Directors met nine times in 2009, and all of the directors attended at least 75% of the meetings of the Board and of the meetings held by the committee(s) on which they served.

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Transactions with Related Persons

The Company's Board of Directors recognizes that related person transactions present a heightened risk of conflict of interest and/or improper valuation (or the perception thereof) and, therefore, has adopted a policy which shall be followed in connection with all related person transactions. Specifically, this policy addresses our procedures for the review, approval and ratification of all related person transactions.

The Board of Directors has determined that the Audit Committee of the Board is best suited to review and approve related person transactions. Accordingly, any related person transactions recommended by management shall be presented to the Audit Committee for approval at a regularly scheduled meeting of the Audit Committee. Any transaction with a related person (as such terms are defined in Item 404 of Regulation S-K) shall be consummated or shall continue only if the Audit Committee approves the transaction, the disinterested members of the Board of Directors approve the transaction, or the transaction involves compensation approved by the Company's Compensation Committee.

The Company's largest stockholder, Sherborne Investors LP (Sherborne) undertook a successful action to replace four of the Company's Directors with Sherborne nominees in a December 2007 special meeting of stockholders. In May 2008, stockholders approved the reimbursement of up to \$0.6 million of expenses incurred by Sherborne in connection with the stockholder action. Payment requires the approval of the disinterested members of the Company's Board and is not anticipated until some time after the Company returns to profitability.

In February 2009, the disinterested members of the Company's Board of Directors approved a separate agreement with Sherborne Investors Management (Sherborne Investors) under which the Company is obligated to reimburse Sherborne Investors, \$20,000 per month, for the use of Sherborne's New York office space and administrative, information technology and communications services to support the Company's Chief Executive Officer.

Committees of the Board

The Nautilus Board of Directors currently has three standing committees: an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. Each committee is governed by a written charter that may be amended by the Board at any time. The full text of each committee charter and our Corporate Governance Guidelines are available on the Company's website located at www.nautilusinc.com or in print to all interested parties who request it. Requests should be sent to the Corporate Secretary at the address provided on page 1 of this Proxy Statement.

The Audit Committee

The Audit Committee is established in accordance with section 3(a)(58)(A) of the Exchange Act and represents and assists the Board in fulfilling its oversight responsibility relating to (i) the integrity of the Company's financial statements and other financial information furnished by the Company, (ii) the Company's compliance with legal and regulatory requirements, (iii) the Company's systems of internal accounting and financial controls, (iv) the registered independent public accounting firm's qualifications, performance, compensation and independence, (v) the performance of the Company's internal audit function, and (vi) compliance with the Company's code of business conduct and ethics.

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In fulfilling the duties outlined in its charter, the Audit Committee, among other things, shall:

have the sole authority and responsibility to select, evaluate and, where appropriate, replace the registered independent public accounting firm;

review and discuss with management and the registered independent public accounting firm, prior to release to the general public and legal and regulatory agencies, the annual audited financial statements

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and quarterly financial statements, including disclosures contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, and matters required to be reviewed under applicable legal, regulatory or New York Stock Exchange requirements;

discuss policies developed by Company management and the Board with respect to risk assessment and risk management and steps Company management has taken to monitor and control financial risk exposure, including anti-fraud programs and controls;

review the responsibilities, functions and performance of the Company's internal audit function, including internal audit's charters, plans, budget, and the scope and results of internal audits;

review management's report on internal control over financial reporting and discuss with management and the registered independent public accounting firm any significant deficiencies or material weaknesses in the design or operation of internal controls; and

establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting, auditing matters or violations of the Company's code of conduct.

The Audit Committee consists of three independent Directors, Marvin G. Siegert (Chairman), Richard A. Horn and Michael A. Stein. Mr. Siegert has served as Chairman of the committee since May 2007. Mr. Horn and Mr. Stein were appointed to the Committee in December 2007. Each current member of the Audit Committee meets the independence, financial literacy and experience requirements contained in the corporate governance listing standards of the New York Stock Exchange (NYSE) relating to audit committees. The Board of Directors has determined that all Audit Committee members qualify as audit committee financial experts under the regulations of the SEC. Although all members of our Audit Committee meet the current NYSE regulatory requirements for accounting or related financial management expertise, and the Board of Directors has determined that each of them qualifies as an audit committee financial expert, members of our Audit Committee are not professionally engaged in the practice of auditing or accounting and are not technical experts in auditing or accounting. The Audit Committee met eleven times during 2009.

A copy of the full text of the Company's Audit Committee Charter can be found on our website at www.nautilusinc.com.

The Compensation Committee

The Compensation Committee is responsible for overseeing the Company's compensation, including equity-based plans, and employee benefit plans and practices, including the compensation and benefits of the Company's executive officers. The Compensation Committee also administers the Company's 2005 Long Term Incentive Plan.

In fulfilling the duties outlined in its charter, the Compensation Committee, among other things, shall:

review periodically the Company's executive compensation plans in light of the Company's goals and objectives with respect to such plans, and, if the Committee deems appropriate, adopt, or recommend to the Board the adoption of, new, or the amendment of existing, executive compensation plans;

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evaluate annually the performance of the CEO and, with the CEO's participation and input, the executive officers in light of the goals and objectives of the Company's executive compensation plans. Determine and approve the CEO's and, with the CEO's participation and input, other executive officer's compensation levels based on this evaluation;

approve any equity compensation awarded to any officer of the Company, subject to the requirements of the applicable compensation plans;

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with respect to SEC reporting requirements, review and discuss with management the Company's compensation discussion and analysis, and oversee the preparation of, and approve, the Committee report on executive compensation to be included in the Company's Proxy Statement.

The Compensation Committee may not delegate any power or authority required by any law, regulation or listing standard to be exercised by the Compensation Committee. In 2009, the Compensation Committee met nine times.

A copy of the full text of the Company's Compensation Committee Charter can be found on our website at www.nautilusinc.com.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is comprised of three independent Directors, Michael A. Stein (Chairman), Ronald P. Badie and Richard A. Horn, each of whom served on the committee during 2009. Messrs. Stein, Horn and Badie were appointed to the committee on December 31, 2007 and Mr. Stein was named the committee's Chairman on that date. None of the members of the committee have a relationship with Nautilus, Inc. other than as Directors and security holders. No member of the Compensation Committee is or was formerly an officer or an employee of the Company. None of Nautilus' executive officers served, during the year ended December 31, 2009, as a member of the compensation committee or board of directors of any entity that has an executive officer serving as a member of the Compensation Committee or Board of Directors of Nautilus, Inc. The Compensation Committee met nine times during 2009.

The Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for considering and making recommendations concerning the membership and function of the Board, and the development and review of corporate governance guidelines.

In fulfilling the duties outlined in its charter, the Nominating and Corporate Governance Committee, among other things, shall:

identify individuals qualified to become members of the Board and to select Director nominees to be presented for stockholder approval at the annual meeting;

review the Board's committee structure and recommend to the Board for its approval Directors to serve as members of each committee;

develop and recommend to the Board for its approval a set of corporate governance guidelines;

develop and recommend to the Board for its approval an annual self-evaluation process of the Board and its committees; and

review on an annual basis Director compensation and benefits.

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The Nominating and Corporate Governance Committee will consider recommendations for directorships submitted by stockholders. Stockholders who wish the Nominating and Corporate Governance Committee to consider their recommendations for nominees for the position of Director should submit their recommendations in writing to the Nominating and Corporate Governance Committee, Attention: Chairman, Nautilus, Inc., 16400 SE Nautilus Drive, Vancouver, WA 98683. Recommendations by stockholders that are made in accordance with these procedures will receive the same consideration given to nominations made by the Nominating and Corporate Governance Committee.

Nominees may be suggested by Directors, members of management, stockholders or, in some cases, by a third party firm. In identifying and considering candidates for nomination to the Board of Directors, the Nominating and Corporate Governance Committee considers a candidate's quality of experience, the needs of the

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Company and the range of talent and experience represented on the Board. In evaluating particular candidates, the Committee will review the nominee's personal and professional integrity, judgment, experience, and ability to serve the long-term interest of the stockholders. The Committee will also take into account the ability of a Director to devote the time and effort necessary to fulfill his or her responsibilities. The Committee also considers matters of diversity, including gender, race and national origin, education, professional experience and differences in viewpoints and skills. While the Committee does not have a formal policy with respect to diversity, both the Board and the Committee believe that it is essential that Board members represent a diverse range of experience, expertise and viewpoints.

The Nominating and Corporate Governance Committee is comprised of three independent Directors, Richard A. Horn (Chairman), Ronald P. Badie and Michael A. Stein. Messrs. Horn and Stein were appointed to the committee and Mr. Horn was named the committee's Chairman on December 31, 2007. In 2009, the Nominating and Corporate Governance Committee met three times.

A full copy of the Company's Nominating and Corporate Governance Committee Charter can be found on our website at www.nautilusinc.com.

Communications with Directors

All interested parties may send correspondence to our Board of Directors or to any individual Director at the following address: Nautilus, Inc., 16400 SE Nautilus Drive, Vancouver, Washington 98683.

Your communications should indicate that you are a stockholder of Nautilus. Depending on the subject matter, we will either forward the communication to the Director or Directors to whom it is addressed, attempt to handle the inquiry directly, or not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic. Correspondence marked confidential will not be opened prior to forwarding to the Board or any individual Director.

Code of Business Conduct and Ethics

We have adopted the Nautilus, Inc. Code of Business Conduct and Ethics (the Code of Ethics), which applies to all of our Directors, officers and employees. You can view the Code of Ethics on our website at www.nautilusinc.com. A copy of the Code of Ethics will be provided in print without charge to all interested parties who submit a request in writing to Corporate Communications, Nautilus, Inc., 16400 SE Nautilus Drive, Vancouver, Washington 98683.

Board Leadership Structure

At this time, the Board believes that combining the Chairman and CEO role is most effective for the Company's leadership and governance. Having one person as Chairman and CEO provides unified leadership and direction to the Company and strengthens the ability of the CEO to develop and implement strategic initiatives and respond efficiently in various situations. The Board also believes the combination of Chairman and CEO position is appropriate in light of the independent oversight provided by the Board. Nautilus has a Lead Independent Director, currently Mr. Badie, who: presides over executive sessions of independent directors; serves as a liaison between the chairman and independent

directors; consults with the Chairman and CEO regarding information sent to directors; reviews meeting agendas and schedules; may call meetings of independent directors; and, if asked by major stockholders, would be available for direct communication if appropriate. In addition to the Lead Independent Director, the Board has a majority of independent directors. Four out of the six director nominees are independent. The Audit, Compensation, and Nominating and Corporate Governance Committees are each composed solely of independent directors.

Board Role in Risk Oversight

While risk management is primarily the responsibility of the Company’s management team, the Board of Directors is responsible for overall supervision of the company’s risk management efforts as they relate to the key business risks facing the organization. Management identifies, assesses, and manages the risks most critical to the Company’s operations and routinely advises the Board on those matters. Those areas of material risk can include

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operational, financial, legal and regulatory, human capital, informational technology and security, and strategic and reputational risks. The Board role in risk oversight of the Company is consistent with the Company's leadership structure, with senior management having responsibility for assessing and managing the Company's risk exposure, and the Board and its Committees providing oversight as necessary in connection with those efforts.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act requires our Directors and executive officers, as well as persons who own more than 10% of our outstanding common stock, to file with the SEC initial reports of beneficial ownership and reports of changes in beneficial ownership of shares of our common stock. Based solely on a review of copies of such forms furnished to us and written representations from executive officers, Directors and 10% stockholders, we believe that all Section 16(a) filing requirements applicable to Nautilus, Inc. were timely made with respect to the year ended December 31, 2009, with the exception of one late filing by Vice President, Marketing Caroline J. Howe, one late filing by Senior Vice President, Consumer Business William B. McMahon, one late filing by Vice President, General Manager Ryan A. Neal, and one late filing by former Vice President, Finance Corporate Controller William R. Peacock, each with respect to one transaction.

STOCK OWNERSHIP**BENEFICIAL OWNERS OF NAUTILUS STOCK**

The following table summarizes certain information regarding the beneficial ownership of our outstanding common stock, as of March 31, 2010, by: 1) each director and director nominee; 2) each of the named executive officers included in the Summary Compensation Table; 3) all persons that we know are beneficial owners of more than 5% of our common stock; and 4) all Directors and executive officers as a group. Except as otherwise indicated, and subject to applicable community property laws, each owner has sole voting and sole investment powers with respect to all shares beneficially owned.

Name and Address of Beneficial Owners	Total Shares Beneficially Owned	Shares Covered by Options ⁽²⁾	Percentage Beneficially Owned ⁽¹⁾
Sherborne Investors GP, LLC 135 East 57th Street New York, NY 10022	9,981,449 ⁽³⁾		32.43%
Dimensional Fund Advisors, LP Palisades West, Building One 6300 Bee Cave Road Austin, Texas 78746	1,652,004 ⁽⁴⁾		5.37%
Current Non-Employee Directors Ronald P. Badie, Director	27,500	20,000	*

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Richard A. Horn, Director	7,500	7,500	*
Craig L. McKibben, Director			*
Marvin G. Siegert, Director	23,000 ⁽⁵⁾	20,000	*
Michael A. Stein, Director	7,500	7,500	*
Current Employee Director			
Edward J. Bramson, Chairman of the Board of Directors and Chief Executive Officer	9,981,449 ⁽⁶⁾		32.43%
Current Named Executive Officers			
Kenneth L. Fish, Chief Financial Officer	182,590	44,375	*
Wayne M. Bolio, Senior Vice President, Law and General Counsel	116,800	101,000	*
Deborah H. Marsh, Senior Vice President, Human Resources	44,000	36,000	*
Ryan A. Neal, Vice President, General Manager Retail	2,500	2,500	*
Former Named Executive Officers			
Sebastien Goulet, Former Senior Vice President, Operations	50,000 ⁽⁷⁾	50,000	*
Timothy J. Joyce, Former Senior Vice President, General Manager Nautilus	48,000 ⁽⁷⁾	43,000	*
Current Directors and Executive Officers as a Group (12 persons)	10,404,787	246,563	33.81%

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* Less than 1%.

- (1) Percentages have been calculated based on 30,774,336 shares of our common stock issued and outstanding at March 31, 2010. Shares which the person or group has the right to acquire within 60 days after March 31, 2010, are deemed to be outstanding in calculating the percentage ownership of the person or group, but are not deemed to be outstanding as to any other person or group.
- (2) Includes currently exercisable options and options exercisable within 60 days after March 31, 2010.
- (3) Information based on Form 4 jointly filed on May 18, 2009 by Sherborne Investors LP; Sherborne Investors GP, LLC; Sherborne Investors Management LP, Sherborne Investors Management GP, LLC, Sherborne Strategic Fund A, LLC, Sherborne Strategic Fund B, LLC, Nottingham Investors LLC and Edward J. Bramson. All such entities disclosed shared voting power as to 9,981,449 shares and shared dispositive power as to 9,981,449 shares, other than Sherborne Strategic Fund A, LLC, which disclosed sole voting and dispositive power with respect to 853,192 shares and no shared voting or dispositive power over any shares, Sherborne Strategic Fund B, LLC, which disclosed sole voting and dispositive power with respect to 1,279,634 shares and no shared voting or dispositive power over any shares, and Nottingham Investors LLC, which disclosed sole voting and dispositive power with respect to 7,848,623 shares and no shared voting or dispositive power over any shares.
- (4) Information based on a Schedule 13G filed by Dimensional Fund Advisors, LP, on February 8, 2010, disclosing sole power to vote or to direct vote as to 1,609,880 shares and sole power to dispose or to direct the disposition as to 1,652,004 shares.
- (5) Includes 3,000 shares held by the Siegert Trust, of which Marvin G. Siegert is a trustee.
- (6) Mr. Bramson, as the managing member of each of Sherborne Investors GP and Sherborne Management GP, is the indirect beneficial owner of and has the sole indirect power to vote or dispose of 9,981,449 shares owned by Sherborne Investors LP; Sherborne Investors GP, LLC; Sherborne Investors Management LP; Sherborne Investors Management GP, LLC; Sherborne Strategic Fund A, LLC; Sherborne Strategic Fund B, LLC; and Nottingham Investors LLC. Mr. Bramson disclaims beneficial ownership of such shares.
- (7) Information based on a Definitive Proxy Statement filed on April 30, 2009. No additional Form 4 s have been filed since that date for this individual.

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EXECUTIVE OFFICERS

The following table identifies our current executive officers, the positions they hold and the year in which they began serving as officers of the Company. The Board of Directors elects all officers, who hold office until their respective successors are elected and qualified.

Name	Age	Current Position(s) with Nautilus	Officer Since
Edward J. Bramson	59	Chairman and Chief Executive Officer	2007
Kenneth L. Fish	55	Chief Financial Officer	2007
Wayne M. Bolio	53	Senior Vice President, Law and General Counsel	