

NATIONAL INSTRUMENTS CORP /DE/
Form DEF 14A
April 05, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))**
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National Instruments Corporation

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(Name of Registrant as Specified In Its Charter)

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Dear Fellow Stockholders:

You are cordially invited to attend our Company's annual meeting on Tuesday, May 11, 2004, at 9:00 a.m. local time at our Corporate Headquarters, Building C, 11500 N. Mopac Blvd., Austin, Texas 78759.

There is a proposal on the agenda that I would like to highlight.

Proposal on Employee Compensation

National Instruments has had a stock option plan in effect since 1994. That plan is currently due to expire in May of this year. The Board believes that offering a broad-based equity compensation program is important to attract, retain and motivate people whose skills and performance are critical to the Company's success. We believe that employees with a stake in the future success of our business become more highly motivated to achieve our long-term business goals and increase stockholder value. We believe our 1994 Incentive Plan (Incentive Plan) has well served the interests of our stockholders, the Company and our employees. The purpose of Proposal Two is to extend and amend our Incentive Plan for one year and to authorize sufficient additional shares to allow the Company to continue to provide new hires, employees and management with stock options for the next one year.

In considering Proposal Two, we ask you to consider that our Board of Directors recently amended the Incentive Plan to remove the Company's ability to implement an option exchange program (whereby outstanding stock options may be exchanged for options with lower exercise prices), remove the Company's ability to amend an outstanding option grant to reduce the exercise price, and eliminate the Company's ability to grant stock options with an exercise price lower than the fair market value of our common stock on the date of the grant. I would like to point out that while these possibilities were present in our original plan, they were never utilized. The Plan has now been amended to entirely remove these possibilities.

We are proud of our prudent use of the Incentive Plan to balance stockholder concerns with motivation of our employees to achieve the Company's business goals and create long-term stockholder value. Our philosophy on employee compensation is to provide employees with equity participation linked to the Company's growth rate, being sensitive to the dilutive impact of this compensation on other stockholders. In connection with this philosophy, the number of options issued each year by the Company has been directly associated to our revenue growth rate of the prior year. The following table shows the relationship between all options issued and revenue performance over the past four years.

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenue Growth (prior year)	20.2%	24.4%	-6.1%	1.4%
Stock Options issued in plan year	2,176,593	2,261,997	476,850	675,949
% of Outstanding Shares	2.9%	3.0%	0.6%	0.9%
Outstanding Shares	74,498,000	76,365,000	76,828,500	77,437,500

The 750,000 shares that we propose to add to the Incentive Plan represent 0.95%, or slightly less than 1%, of our total shares outstanding as of March 15, 2004. We award stock options on merit broadly throughout the Company. Approximately 96% of all regular, full-time exempt

employees currently have stock options. Furthermore, stock options are a significant component of our long-term employee compensation, because we do not sponsor a defined-benefit pension plan and we do not include Company stock in our 401(k) plan.

Based on the 4-week moving average as of March 18, 2004, our Company's stock price has increased at a compound annual growth rate of approximately 31% versus approximately 12% for the Nasdaq Composite Index and approximately 11% for the Russell 2000 Index since the Company's stock became publicly traded in 1995. From the end of 1998 through year-end 2003 our stock has increased 100% compared to a negative 9% for the Nasdaq Composite Index and an increase of 32% for the Russell 2000 Index. For the past five consecutive years, National Instruments has been voted as One of the 100 Best Companies To Work For In America by Fortune Magazine. Our Company's employee turnover rate (the annual loss of employees) is about one-half that of other high technology companies according to Radford Surveys, a leading human resources survey company in the high-tech industry. We take great pride in these accomplishments and believe that our utilization of stock options contributed to this success.

We will continue to monitor the environment in which we operate and make changes to our equity compensation program to help us meet our goals, including achieving long-term stockholder value. At this time, we need additional shares in order to ensure that we are able to continue to grant options as we hire new employees and to retain and motivate existing employees to perform to the best of their abilities.

For these reasons, I urge you to read both the overview of the amendment to the Incentive Plan on page 19 and the more complete description of the principal features of the Incentive Plan on page C-1 and to support Proposal Two on the agenda.

Summary

Our Board of Directors has unanimously recommended that stockholders vote for Proposal Two. Your vote is very important to us. As our company's largest individual stockholder, I also urge you personally to vote FOR Proposal Two.

Please review the enclosed proxy materials carefully and send in your vote today.

Sincerely,

/s/ James J. Truchard

JAMES J. TRUCHARD

Chairman, President

NATIONAL INSTRUMENTS CORPORATION

Notice of Annual Meeting of Stockholders

May 11, 2004

TO THE STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the 2004 Annual Meeting of Stockholders (the Annual Meeting) of National Instruments Corporation, a Delaware corporation (the Company), will be held on May 11, 2004, at 9:00 a.m. local time, at the Company s principal executive offices located at 11500 North Mopac Expressway, Building C, Austin, Texas, 78759 for the following purposes as more fully described in the Proxy Statement accompanying this Notice:

1. To elect two directors to the Board of Directors for a term of three years.
2. To approve the amendment and restatement of the Company s 1994 Incentive Plan to increase the number of shares reserved for issuance thereunder by 750,000 shares to an aggregate of 16,950,000 shares and to extend the termination date of the plan by one year to 2005.
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on March 15, 2004, are entitled to receive notice of and to vote at the meeting.

All stockholders are cordially invited to attend the meeting in person. However, whether or not you plan to attend the Annual Meeting, we hope that you will vote as soon as possible. You may vote on the Internet, by telephone or by completing, signing and mailing the enclosed proxy card in the postage-prepaid envelope enclosed for that purpose. Voting over the Internet, by phone or by written proxy will ensure your representation at the Annual Meeting, if you do not attend in person. Please review the instructions on the proxy card regarding each of these voting options.

Stockholders attending the meeting may vote in person even if they have returned a proxy. However, if you have returned a proxy and wish to vote at the meeting, you must notify the inspector of elections of your intention to revoke the proxy you previously returned and instead vote in person at the meeting. If your shares are held in the name of a broker, trustee, bank or other nominee, please bring a proxy from the broker, trustee, bank or other nominee with you to confirm you are entitled to vote the shares.

Sincerely,

DAVID G. HUGLEY
Secretary

Austin, Texas

April 5, 2004

NATIONAL INSTRUMENTS CORPORATION

PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of National Instruments Corporation, a Delaware corporation (the Company), for use at its 2004 Annual Meeting of Stockholders (the Annual Meeting) to be held on May 11, 2004, at 9:00 a.m., local time, or at any adjournments or postponements thereof, for the purposes set forth in this Proxy Statement and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the Company's principal executive offices at 11500 North Mopac Expressway, Building C, Austin, Texas 78759. The Company's telephone number is (512) 338-9119.

These proxy solicitation materials were mailed on or about April 5, 2004 to all stockholders entitled to vote at the Annual Meeting.

Record Date; Outstanding Shares

Stockholders of record at the close of business on March 15, 2004 (the Record Date), are entitled to receive notice of and vote at the Annual Meeting. On the Record Date, 78,575,427 shares of the Company's common stock, \$.01 par value, were issued and outstanding.

On January 21, 2004, the Board of Directors of the Company declared a 3 for 2 stock split for stockholders of record on February 5, 2004. All share and per share information in the proxy solicitation materials reflect the stock split.

Voting and Solicitation

Every stockholder of record on the Record Date is entitled, for each share held, to one vote on each proposal or item that comes before the Annual Meeting. In the election of directors, each stockholder will be entitled to vote for two nominees and the two nominees with the greatest number of votes will be elected.

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may vote on the Internet, by telephone or by completing, signing and mailing the enclosed proxy card in the postage-prepaid envelope enclosed for that purpose. Voting over the Internet, by phone or by written proxy will ensure your representation at the Annual Meeting, if you do not attend in person. Please review the instructions on the proxy card regarding each of these voting options.

The cost of this solicitation will be borne by the Company. The Company may reimburse expenses incurred by brokerage firms and other persons representing beneficial owners of shares in forwarding solicitation material to beneficial owners. Proxies may be solicited by certain of the Company's directors, officers and other employees, without additional compensation, personally, by telephone or by email.

Treatment of Abstentions and Broker Non-Votes

While there is no definitive statutory or case law authority in Delaware as to the proper treatment of abstentions, the Company believes that abstentions should be counted for purposes of determining both (i) the presence or absence of a quorum for the transaction of business and (ii) the total number of votes cast with respect to a proposal (other than the election of directors). In the absence of controlling precedent to the

contrary, the Company intends to treat abstentions in this manner. Accordingly, abstentions will have the same effect as a vote against Proposal Two.

The Delaware Supreme Court has held that, while broker non-votes should be counted for purposes of determining the presence or absence of a quorum for the transaction of business, broker non-votes should not be counted for purposes of determining the number votes cast with respect to the particular proposal on which the broker has expressly not voted. The Company intends to treat broker non-votes in a similar manner. Thus, a broker non-vote will not affect the outcome of the voting on Proposal One or Proposal Two.

Pursuant to regulations promulgated by the New York Stock Exchange (NYSE) that came into effect on June 30, 2003, brokers and other nominees that are NYSE member organizations are prohibited from voting in favor of proposals relating to equity compensation plans unless they receive specific instructions from the beneficial owner of the shares to vote on such matter. Therefore, for any of your shares held through a broker or other nominee that is a NYSE member organization, such shares will only be voted in favor of Proposal Two if you have provided specific voting instructions to your broker or other nominee to vote your shares in favor of that proposal.

Revocability of Proxies

Proxies given pursuant to this solicitation may be revoked at any time before they have been used. You may change or revoke your proxy by entering a new vote by Internet or by telephone or by delivering a written notice of revocation to the Secretary of the Company or by completing a new proxy card bearing a later date (which automatically revokes the earlier proxy instructions). Attendance at the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically so request by notifying the inspector of elections of your intention to revoke your proxy and voting in person at the Annual Meeting.

Deadline for Receipt of Stockholder Proposals

Stockholders of the Company may submit proper proposals for inclusion in the Company's proxy statement and for consideration at the annual meeting of stockholders to be held in 2005 by submitting their proposals in writing to the Secretary of the Company in a timely manner. In order to be considered for inclusion in the Company's proxy materials for the annual meeting of stockholders to be held in 2005, stockholder proposals must be received by the Secretary of the Company no later than December 7, 2004, and must otherwise comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act).

In addition, the Company's bylaws establish an advance notice procedure with regard to business to be brought before an annual meeting, including stockholder proposals not included in the Company's proxy statement. For director nominations or other business to be properly brought before the Company's 2005 Annual Meeting by a stockholder, such stockholder must deliver written notice to the Secretary of the Company at the Company's principal executive office no later than February 5, 2005 and no earlier than January 8, 2005. If the date of the Company's 2005 Annual Meeting is advanced or delayed by more than 30 calendar days from the first anniversary date of the 2004 Annual Meeting, your notice of a proposal will be timely if it is received by the Company by the close of business on the tenth day following the day the Company publicly announces the date of the 2005 Annual Meeting.

The proxy grants the proxy holders discretionary authority to vote on any matter raised at the Annual Meeting. If such a stockholder fails to comply with the foregoing notice provisions, proxy holders will be allowed to use their discretionary voting authority on such matter should the stockholder proposal come before the 2005 Annual Meeting.

A copy of the full text of the bylaw provisions governing the notice requirements set forth above may be obtained by writing to the Secretary of the Company. All notices of proposals and director nominations by stockholders should be sent to National Instruments Corporation, 11500 N. Mopac Expressway, Building B, Austin, Texas 78759, Attention: Corporate Secretary.

PROPOSAL ONE:**ELECTION OF DIRECTORS****General**

The Company's Board of Directors is divided into three classes, with the term of office of one class expiring each year. The Company currently has seven directors, two directors in Class I, two directors in Class II, and three directors in Class III. The terms of office of Class I directors James J. Truchard and Charles J. Roesslein will expire at the 2004 Annual Meeting. Dr. Truchard and Mr. Roesslein will stand for re-election to the Board of Directors at the 2004 Annual Meeting. The terms of office of Class II directors Jeffrey L. Kodosky and Donald M. Carlton will expire at the 2005 Annual Meeting. The terms of office of Class III directors Ben G. Streetman, R. Gary Daniels and Duy-Loan T. Le will expire at the 2006 Annual Meeting. At the 2004 Annual Meeting, stockholders will elect two directors for a term of three years. After the election at the 2004 Annual Meeting, there will be seven directors, with two directors in two classes and three directors in one class.

Vote Required

The two nominees receiving the highest number of affirmative votes of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote in the election of directors shall be elected to the Board of Directors. Votes withheld from any director are counted for purposes of determining the presence or absence of a quorum, but have no legal effect under Delaware law. Cumulative voting is not permitted by the Company's Certificate of Incorporation.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company's two nominees named below. If any nominee of the Company is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who is designated by the present Board of Directors to fill the vacancy. It is not expected that any nominee will be unable or will decline to serve as a director. **The Board of Directors recommends that stockholders vote FOR the nominees listed below.**

Nominees for Election at the Annual Meeting

The following sets forth information concerning the nominees for election as directors at the Annual Meeting, including information as to each nominee's age as of the Record Date, position with the Company and business experience.

<u>Name of Nominee</u>	<u>Age</u>	<u>Position/Principal Occupation</u>	<u>Director Since</u>
James J. Truchard	60	Chairman of the Board of Directors and President of the Company	1976
Charles J. Roesslein ^{(1) (2) (3)}	55	Director; Former Chairman of the Board of Directors and President of Prodigy Communications Corporation	2000

⁽¹⁾ Member of Audit Committee

(2) Member of Compensation Committee

(3) Member of Nomination and Governance Committee

James J. Truchard, PhD, co-founded the Company in 1976 and has served as its President and Chairman of the Board of Directors since inception. From 1963 to 1976, Dr. Truchard worked at Applied Research Laboratories (ARL), University of Texas at Austin (UT Austin) as Research Scientist and later Division Head. Dr. Truchard received his PhD in Electrical Engineering, his master s degree in Physics and his bachelor s degree in Physics, all from UT Austin.

Charles J. Roesslein has been a member of the Company's Board of Directors since July 2000. During 2000, Mr. Roesslein served as the Chairman of the Board of Directors and President of Prodigy Communications Corporation, an internet service provider. He served as President of SBC-CATV, a cable television service provider, from 1999 until 2000, and as President of SBC Technology Resources, the applied research division of SBC Communications Inc., from 1997 until 1999. Prior to 1997, Mr. Roesslein served in executive officer positions with SBC Communications, Inc. and Southwestern Bell. Mr. Roesslein holds a bachelor's degree in Mechanical Engineering from the University of Missouri-Columbia and a master's degree in Finance from the University of Missouri-Kansas City. Mr. Roesslein is currently a director of the following publicly traded companies: Atlantic Tele-Network, Inc. and Quovadx.

Incumbent Directors Whose Terms of Office Continue After the Annual Meeting

The following sets forth information concerning the directors whose terms of office continue after the Annual Meeting, including information as to each director's age as of the Record Date, position with the Company and business experience.

<u>Name of Director</u>	<u>Age</u>	<u>Position/Principal Occupation</u>	<u>Director Since</u>
Jeffrey L. Kodosky	54	Director; Fellow of the Company	1976
Donald M. Carlton ^{(1) (3)}	66	Director; Former President and Chief Executive Officer of Radian International LLC	1994
Ben G. Streetman ^{(1) (2) (3)}	64	Director; Dean, College of Engineering at the University of Texas at Austin	1997
R. Gary Daniels ^{(1) (2) (3)}	66	Director; Former Senior Vice President and General Manager of the Microcontroller Technologies Group, Motorola, Inc.	1999
Duy-Loan T. Le ^{(2) (3)}	41	Director; Senior Fellow of Texas Instruments, Inc.	2002

⁽¹⁾ Member of Audit Committee

⁽²⁾ Member of Compensation Committee

⁽³⁾ Member of Nomination and Governance Committee

Jeffrey L. Kodosky co-founded the Company in 1976 and has been a member of the Company's Board of Directors since that time. He was appointed Vice President of the Company in 1978 and served as Vice President, Research and Development from 1980 to 2000. Since 2000 he has held the position of Fellow. Prior to 1976, he was employed at the Acoustical Measurements Division at ARL, UT Austin. Mr. Kodosky received his bachelor's degree in Physics from Rensselaer Polytechnic Institute.

Donald M. Carlton, PhD, has been a member of the Company's Board of Directors since 1994. From February 1996 until December 1998, Dr. Carlton served as the President and Chief Executive Officer of Radian International LLC, and from 1969 until January 1996, Dr. Carlton served as President and Chairman of the Board of Radian Corporation, both of which are environmental engineering firms. Dr. Carlton received his bachelor's degree in Chemistry from the University of St. Thomas and his PhD in Chemistry from UT Austin. Dr. Carlton is currently a director of the following publicly traded companies: American Electric Power, Trustee of SmithBarney/CITI Mutual Funds (26 Funds), and Temple-Inland, Inc.

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Ben G. Streetman, PhD, has been a member of the Company's Board of Directors since 1997. He is the Dean of the College of Engineering at UT Austin, as well as Professor of Electrical and Computer Engineering, Dula D. Cockrell Centennial Chair in Engineering, and Henry E. Singleton Research Fellow at IC2 Institute. From 1984 to 1996, Dr. Streetman served as Director of the Microelectronics Research Center at UT Austin. Dr. Streetman received his bachelor's degree, master's degree, and PhD in Electrical Engineering, all from UT Austin. Dr. Streetman is currently a director of Zix Corporation (formerly CustomTracks Corporation).

R. Gary Daniels has been a member of the Company's Board of Directors since 1999. Mr. Daniels retired in 1997 from his position as Senior Vice President and General Manager of the Microcontroller Technologies

Group of Motorola, Inc. after a 32 year career with Motorola. Mr. Daniels has a bachelor's degree in Electrical Engineering from the University of New Mexico.

Duy-Loan T. Le has been a member of the Company's Board of Directors since September 2002. During her continuing 20-year career at Texas Instruments, Inc. (TI), in 2002, Ms. Le became the first woman at TI elected to the rank of Senior Fellow. Since 2000, she has been Digital Signal Processor (DSP) Advanced Technology Ramp Manager at TI, with responsibilities which include assisting with product execution on advanced technology nodes such as 180nm, 130nm and 90nm. Ms. Le has been awarded 20 patents and has 9 pending applications. She holds a bachelor's degree in Electrical Engineering from UT Austin and a master's degree in Business Administration from the University of Houston.

There is no family relationship between any director or officer of the Company.

Security Ownership

The following table sets forth the beneficial ownership of the Company's common stock as of the Record Date (i) by all persons known to the Company, based on statements filed by such persons pursuant to Section 13(d) or 13(g) of the Exchange Act, to be the beneficial owners of more than 5% of the Company's common stock, (ii) by each of the executive officers named in the table under Executive Compensation Summary Compensation Table, (iii) by each director, and (iv) by all current directors and executive officers as a group:

<u>Name of Person or Entity</u>	<u>Number of Shares⁽¹⁾</u>	<u>Approximate Percentage Owned⁽²⁾</u>
James J. Truchard 11500 North Mopac Expressway Austin, Texas 78759	18,830,966 ⁽³⁾	24.0 %
Jeffrey L. Kodosky 11500 North Mopac Expressway Austin, Texas 78759	5,422,735 ⁽⁴⁾	6.9 %
Capital Research and Management Company 333 South Hope Street Los Angeles, California 90071	5,994,000 ⁽⁵⁾	7.6 %
FMR Corp. 82 Devonshire Street Boston, Massachusetts 02109	4,311,565 ⁽⁶⁾	5.5 %
R. Gary Daniels	26,509 ⁽⁷⁾	*
Ben G. Streetman	77,977 ⁽⁸⁾	*
Donald M. Carlton	67,288 ⁽⁹⁾	*
Charles J. Roesslein	31,293 ⁽¹⁰⁾	*
Duy-Loan T. Le	10,416 ⁽¹¹⁾	*
Peter Zogas, Jr.	176,974 ⁽¹²⁾	*
Timothy R. Dehne	157,925 ⁽¹³⁾	*
Alexander M. Davern	101,977 ⁽¹⁴⁾	*
Mihir Ravel	88,934 ⁽¹⁵⁾	*
All executive officers and directors as a group (15 persons)	25,408,607 ⁽¹⁶⁾	31.9 %

* Represents less than 1% of the outstanding shares of common stock.

- (1) Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable.
- (2) For each individual and group included in the table, percentage owned is calculated by dividing the number of shares beneficially owned by such person or group as described above by the sum of the 78,575,427 shares of common stock outstanding on March 15, 2004 and the number of shares of common stock that such person or group had the right to acquire on or within 60 days of March 15, 2004, including shares issuable upon the exercise of options.
- (3) Includes 1,705,750 shares held by a trust for which Dr. Truchard is the trustee and 143,925 shares held by a non-profit corporation of which Dr. Truchard is president.
- (4) Includes an aggregate of 1,482,030 shares held in two trusts for the benefit of Mr. Kodosky's daughters for which Mr. Kodosky is the trustee; includes 521,130 shares held by a non-profit corporation of which Mr. Kodosky is president and his wife, Gail T. Kodosky, is secretary; includes 160,650 shares held by a charitable remainder trust for the benefit of Mr. Kodosky and his wife; includes 13,500 shares held in a charitable remainder trust for the benefit of Mr. Kodosky's brother of which Mr. Kodosky is the sole trustee with investment

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power over the securities held therein; includes an aggregate of 90,251 shares held in 19 trusts for non-immediate family members of Mr. Kodosky of which Mr. Kodosky is the sole trustee with investment power over the securities held therein; and includes 1,577,587 shares owned by

his wife. Mr. Kodosky disclaims beneficial ownership of the shares owned by his wife. (Cumulatively, Jeffrey and Gail Kodosky control and/or beneficially own a total 5,422,735 shares.)

- (5) The information as to beneficial ownership is based on a Schedule 13G filed with the SEC on February 13, 2004, reflecting beneficial ownership as of December 31, 2003. The Schedule 13G states that Capital Research and Management Company has sole investment power with respect to 5,994,000 shares of common stock, sole voting power with respect to no shares of common stock and shared voting power with respect to no shares of common stock.
- (6) The information as to beneficial ownership is based on a Schedule 13G filed with the SEC on February 17, 2004, reflecting beneficial ownership as of December 31, 2003. The Schedule 13G states that FMR Corp. has sole voting and investment power with respect to 4,311,565 shares of common stock and shared voting power with respect to no shares of common stock.
- (7) Includes 23,490 shares subject to options exercisable on or within 60 days of March 15, 2004.
- (8) Includes 76,290 shares subject to options exercisable on or within 60 days of March 15, 2004.
- (9) Includes 60,933 shares subject to options exercisable on or within 60 days of March 15, 2004.
- (10) Includes 29,790 shares subject to options exercisable on or within 60 days of March 15, 2004.
- (11) Includes 10,416 shares subject to options exercisable on or within 60 days of March 15, 2004.
- (12) Includes 156,264 shares subject to options exercisable on or within 60 days of March 15, 2004.
- (13) Includes 99,187 shares subject to options exercisable on or within 60 days of March 15, 2004.
- (14) Includes 101,923 shares subject to options exercisable on or within 60 days of March 15, 2004.
- (15) Includes 85,475 shares subject to options exercisable on or within 60 days of March 15, 2004.
- (16) Includes 978,124 shares subject to options exercisable on or within 60 days of March 15, 2004.

Board Meetings and Committees

The Board of Directors of the Company held a total of 8 meetings during 2003. During 2003, the Board of Directors had a standing Audit Committee, Compensation Committee, and Nomination and Governance Committee.

No director attended fewer than 75% of the total number of meetings of the Board of Directors and the total number of meetings held by all committees of the Board of Directors on which he or she served. The Company encourages, but does not require, its board members to attend the Company's annual stockholders meeting. Last year, five of seven directors attended the Company's annual stockholders meeting. The Company plans to schedule future annual meetings so that at least a majority of its directors can attend the annual meeting.

Stockholders may communicate with members of the Board of Directors by mail addressed to the Chairman, any other individual member of the Board, to the full Board, or to a particular committee of the Board. In each case, such correspondence should be sent to the following address: 11500 North Mopac Expressway, Building B, Austin, Texas 78759; attention: Corporate Secretary.

Audit Committee

The Audit Committee, which currently consists of directors Donald M. Carlton, Ben G. Streetman, R. Gary Daniels and Charles J. Roesslein, met 14 times during 2003. The Audit Committee appoints, compensates, retains and oversees the engagement of the Company's independent accountants, reviews with such accountants the plan, scope and results of their examination of the Company's consolidated financial statements and reviews

the independence of such accountants. The Audit Committee inquires about any significant risks or exposures and assesses the steps management has taken to minimize such risk to the Company, including the adequacy of insurance coverage and the strategy for management of foreign currency risk. The Audit Committee also reviews the Company's compliance with matters relating to antitrust, environmental, Equal Employment Opportunity Commission, export and SEC regulations. The Audit Committee has established procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and for Company employees to submit concerns regarding such matters on a confidential and anonymous basis. The Board of Directors believes that each member of the Audit Committee is an independent director as that term is defined by the Nasdaq listing standards and Rule 10A-3 of the Securities Exchange Act of 1934. The Board of Directors has determined that each of Dr. Carlton and Mr. Roesslein is an audit committee financial expert within the meaning of SEC rules. The charter of the Audit Committee is attached as Exhibit A to this Proxy Statement.

Compensation Committee

The Compensation Committee, which currently consists of directors R. Gary Daniels, Ben G. Streetman, Charles J. Roesslein and Duy-Loan T. Le, each of whom is deemed to be an independent director as that term is defined by the Nasdaq listing standards, met 8 times during 2003. The Compensation Committee sets the level of compensation of the Company's executive officers and advises management with respect to compensation levels for employees. The Compensation Committee also administers the Company's 1994 Amended and Restated Incentive Plan and Employee Stock Purchase Plan.

Nomination and Governance Committee

The Nomination and Governance Committee, which currently consists of directors Donald M. Carlton, Ben G. Streetman, R. Gary Daniels, Charles Roesslein and Duy-Loan T. Le, each of whom is deemed to be an independent director as that term is defined by the Nasdaq listing standards, met once during 2003. The Nomination and Governance Committee recommends to the Board of Directors the selection criteria for board members, compensation of outside directors, appointment of board committee members and committee chairmen, and develops board governance principles. The Nomination and Governance Committee will consider nominees recommended by stockholders provided such recommendations are made in accordance with procedures described in this Proxy Statement under *Deadline for Receipt of Stockholder Proposals*. When considering a potential director candidate, the Nomination and Governance Committee looks for demonstrated character, judgment, relevant business, functional and industry experience, and a high degree of acumen. There are no differences in the manner in which the Nomination and Governance Committee evaluates nominees for director based on whether the nominee is recommended by a stockholder. The Company does not pay any third party to identify or assist in identifying or evaluating potential nominees. The charter of the Nomination and Governance Committee is attached as Exhibit B to this Proxy Statement.

Board Compensation

Non-employee directors are paid a \$10,000 annual retainer (\$12,000 for committee chairs), \$1,000 for each Board meeting attended in person, \$750 for each committee meeting attended in person (\$1,000 for committee chairs), \$150 for each Board or committee meeting attended telephonically, and reimbursement of out-of-town travel expenses. Since 1997, non-employee directors have not received automatic annual option grants although they may still exercise options previously granted to them and are currently eligible to receive discretionary option grants under the terms of the Company's Amended and Restated 1994 Incentive Plan. Employee directors of the Company do not receive any additional compensation for services provided as a director.

Executive Officers

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The following sets forth information concerning the persons currently serving as executive officers of the Company as of the Record Date, including information as to each executive officer's age, position with the

Company and business experience. Officers of the Company serve at the discretion of the Board and are appointed annually.

<u>Name of Executive Officer</u>	<u>Age</u>	<u>Position</u>
James J. Truchard	60	Chairman of the Board of Directors and President
Timothy R. Dehne	38	Senior Vice President, Research and Development
Peter Zogas, Jr.	43	Senior Vice President, Sales and Marketing
Alexander M. Davern	37	Chief Financial Officer; Senior Vice President, IT and Manufacturing Operations; and Treasurer
Mark A. Finger	46	Vice President, Human Resources
John M. Graff	39	Vice President, Marketing and Customer Operations
Mihir Ravel	44	Vice President, Technology and Corporate Development
Raymond C. Almgren	38	Vice President, Product Marketing and Academic Relations
David G. Hugley	40	Vice President and General Counsel; Secretary

See Election of Directors for additional information with respect to Dr. Truchard.

Timothy R. Dehne joined the Company in 1987 and currently serves as Senior Vice President, Research and Development. He previously served as the Company's Vice President, Engineering from November 1998 to December 2002; as Vice President, Marketing from January 1995 to October 1998; and as Vice President, Strategic Marketing from May 1994 to December 1994. His earlier positions with the Company include Strategic Marketing Manager, GPIB Marketing Manager, GPIB Product Manager, and Applications Engineer. Mr. Dehne received his bachelor's degree in Electrical Engineering from Rice University.

Peter Zogas, Jr. joined the Company in 1985 and currently serves as Senior Vice President, Sales and Marketing. He previously served as the Company's Vice President, Sales from July 1996 to December 2002. His earlier positions with the Company include National Sales Manager, Business Development Manager, Regional Sales Manager, and Sales Engineer. Prior to joining the Company, Mr. Zogas worked as an engineer at TI and, prior to that, at AT&T. Mr. Zogas received his bachelor's degree in Electrical Engineering from Drexel University.

Alexander M. Davern joined the Company in February 1994 and currently serves as Chief Financial Officer; Senior Vice President, IT and Manufacturing Operations; and Treasurer. He previously served as the Company's Chief Financial Officer and Treasurer from December 1997 to December 2002; as Acting Chief Financial Officer and Treasurer from July 1997 to December 1997; and as Corporate Controller and International Controller. Prior to joining the Company, Mr. Davern worked both in Europe and in the United States for the international accounting firm of Price Waterhouse, LLP. Mr. Davern received his bachelor's degree in Business Administration and a diploma in professional accounting from University College in Dublin, Ireland. Mr. Davern is currently a director of SigmaTel, Inc., a publicly traded company.

Mark A. Finger joined the Company in August 1995 as Director of Human Resources and became Vice President, Human Resources in December 1996. Prior to joining the Company, Mr. Finger was employed by Rosemount Inc. and Fisher Rosemount Systems Inc. (collectively, Rosemount) from 1981 to 1995 (both of which are process management companies). His positions held at Rosemount include Human Resources Manager, Staffing Manager, Senior Human Resources Representative, Compensation and Benefits Specialist, and Staffing Specialist. Mr. Finger received his bachelor's degree in Marketing from St. Cloud University.

John M. Graff joined the Company in June 1987 and currently serves as Vice President, Marketing and Customer Operations. He previously served as the Company's Vice President, Marketing from June 1999 to December 2002 and as Acting Vice President, Marketing from November 1998 to May 1999. His earlier positions with the Company include Director, Corporate Marketing, Corporate Marketing Manager, Product Marketing Manager, and Applications Engineer. Mr. Graff received his bachelor's degree in Electrical Engineering from UT Austin.

Mihir Ravel joined the Company in April 2000 and currently serves as Vice President, Technology and Corporate Development. He previously served as the Company's Vice President, Corporate Development from April 2000 to December 2002. Prior to joining the Company, Mr. Ravel was employed by Tektronix, Inc., a test and measurement company, from 1982 to 2000. Mr. Ravel was a Director/Fellow at Tektronix and worked in the area of R&D Management. Mr. Ravel received his bachelor's degree in Physics, Electrical Engineering and Computer Science from Massachusetts Institute of Technology.

Raymond C. Almgren joined the Company in June 1987 and currently serves as Vice President, Product Marketing and Academic Relations. He previously served as the Company's Vice President, Product Strategy from September 2001 to December 2002. His earlier positions with the Company include Director of Engineering, Director of Marketing, Product Manager, and Applications Engineer. Mr. Almgren received his bachelor's degree in Electrical Engineering from UT Austin.

David G. Hugley joined the Company in 1991 as General Counsel, was appointed Secretary of the Company in 1996, and became Vice President in January 2003. Mr. Hugley received his bachelor's degree in Business Administration and JD from UT Austin and is a licensed attorney in Texas.

Executive Compensation

Summary Compensation Table. The following table shows the compensation paid by the Company during the years ended December 31, 2003, 2002, and 2001 to the Company's Chief Executive Officer and the four other most highly compensated executive officers of the Company whose total salary and bonus exceeded \$100,000 (collectively, the Named Executive Officers):

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards Securities	
		Salary	Bonus ⁽¹⁾	Underlying Options (# of Shares)	All Other Compensation ⁽²⁾
Dr. James J. Truchard Chairman of the Board and President	2003	\$ 198,250	\$ 12,292		\$ 6,431
	2002	190,899	1,527		5,876
	2001	193,348			5,631
Alexander M. Davern Chief Financial Officer; Senior Vice President, IT and Manufacturing Operations; Treasurer	2003	216,667	13,433	12,000	5,998
	2002	186,963	1,496		5,042
	2001	184,175	1,407	15,000	4,967
Timothy R. Dehne Senior Vice President, Research and Development	2003	208,750			
	2002	185,713			
	2001	184,175			