

NATIONAL INSTRUMENTS CORP /DE/  
Form DEF 14A  
March 31, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**SCHEDULE 14A**

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

**Exchange Act of 1934 (Amendment No.        )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**National Instruments Corporation**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.  
(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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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

## NATIONAL INSTRUMENTS CORPORATION

### Notice of Annual Meeting of Stockholders

May 10, 2011

TO THE STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the 2011 Annual Meeting of Stockholders (the Annual Meeting ) of National Instruments Corporation, a Delaware corporation ( NI ), will be held on May 10, 2011, at 9:00 a.m. local time, at NI '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 each of Mr. Jeffrey L. Kodosky, Dr. Donald M. Carlton and Mr. John K. Medica to the Board of Directors for a term of three years.
2. To increase the number of shares reserved under NI 's 1994 Employee Stock Purchase Plan by 3,000,000 shares.
3. To ratify the appointment of Ernst & Young as NI 's independent registered public accounting firm for the fiscal year ending December 31, 2011.
4. To consider and approve an advisory (non-binding) proposal concerning our executive compensation program.
5. To consider and approve an advisory (non-binding) proposal concerning the frequency of stockholder votes on our executive compensation program.
6. 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 14, 2011, are entitled to receive notice of and to vote at the meeting.

All stockholders are cordially invited to attend the Annual 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 or by telephone by following the instructions provided in the Notice of Internet Availability of Proxy Materials you received in the mail. If you received a paper copy of a proxy card by mail in response to your request for a hard copy of the proxy materials for the Annual Meeting, you may also vote by Internet, telephone, or by completing, signing and dating your proxy card and mailing it in the postage-prepaid envelope enclosed for that purpose, in each case by following the instructions on the proxy card. Voting over the Internet, by telephone or by written proxy will ensure your representation at the Annual Meeting, if you do not attend in person. For specific instructions on how to vote your shares, please review the instructions on the Notice of Internet Availability of Proxy Materials you received in the mail or the proxy card if you received a paper copy of the proxy materials.

Stockholders attending the Annual Meeting may vote in person even if they have submitted a proxy. However, if you have submitted a proxy and wish to vote at the Annual Meeting, you must notify the inspector of elections of your intention to revoke the proxy you previously submitted and instead vote in person at the Annual 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,

/s/ David G. Hugley

*Secretary*

Austin, Texas

March 31, 2011

**NATIONAL INSTRUMENTS CORPORATION**

**PROXY STATEMENT**

**INFORMATION CONCERNING SOLICITATION AND VOTING**

**General**

The Board of Directors (the Board) of National Instruments Corporation, a Delaware corporation (NI), has made proxy materials available to you on the Internet or, upon your request, has delivered printed versions of proxy materials to you by mail, in connection with the Board's solicitation of proxies for use at NI's 2011 Annual Meeting of Stockholders (the Annual Meeting) to be held on May 10, 2011, 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 NI's principal executive offices at 11500 North Mopac Expressway, Building C, Austin, Texas 78759. NI's telephone number is (512) 338-9119.

Under rules adopted by the U.S. Securities and Exchange Commission (the SEC), NI is now furnishing proxy materials to NI's stockholders on the Internet, rather than mailing printed copies of those materials to each stockholder. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials unless you request one. Instead, the Notice of Internet Availability of Proxy Materials will instruct you as to how you may access and review the proxy materials on the Internet. If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials. We anticipate that the Notice of Internet Availability of Proxy Materials will be mailed to stockholders on or about March 31, 2011.

**Householding of Annual Meeting Materials**

Some brokers and other nominee record holders may be participating in the practice of householding notices of internet availability of proxy materials, proxy statements and annual reports. This means that only one (1) copy of the Notice of Internet Availability of Proxy Materials may have been sent to multiple stockholders in a stockholder's household. We will promptly deliver a separate copy of any of these documents to any stockholder who contacts our investor relations department at 11500 North Mopac Expressway, Austin, Texas 78759-3504, (512) 683-5090, requesting such copies. If a stockholder is receiving multiple copies of the Notice of Internet Availability of Proxy Materials or the printed versions of such other accounts at the stockholder's household and would like to receive a single copy of these documents for a stockholder's household in the future, stockholders should contact their broker, other nominee record holder, or our investor relations department to request mailing of a single copy of any of these documents.

**Record Date; Outstanding Shares; Stock Split**

Stockholders of record at the close of business on March 14, 2011 (the Record Date) are entitled to receive notice of and vote at the Annual Meeting. On the Record Date, 118,887,916 shares of NI's common stock, \$0.01 par value, were issued and outstanding. On January 21, 2011, our Board of Directors declared a three for two stock split in the form of a stock dividend which was paid on February 22, 2011 to stockholders of record on February 4, 2011. All share and per-share data in this Proxy Statement has been adjusted to reflect this 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 that comes before the Annual Meeting. In the election of directors in Proposal One, each stockholder will be entitled to vote for three nominees and the three nominees with the greatest number of votes will be elected. The affirmative vote of a majority of the votes cast on the proposal at the Annual Meeting will be required to approve each of Proposals Two, Three and Four. With respect to Proposal Five concerning the frequency of stockholder votes on our executive compensation program, each stockholder will be entitled to vote for a frequency of one, two or three years, or abstain from voting, and the frequency receiving the greatest number of votes will be approved.

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may vote on the Internet, by telephone or, if you received a paper copy of the proxy materials, by completing, signing and mailing the proxy card enclosed therewith in the postage-prepaid envelope provided for that purpose. Voting over the Internet, by telephone or by written proxy will ensure your representation at the Annual Meeting, if you do not attend in person. For specific instructions on how to vote your shares, please review the instructions on the Notice of Internet Availability of Proxy Materials you received in the mail or the proxy card if you received a paper copy of the proxy materials.

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

### **Treatment of Abstentions and Broker Non-Votes**

Abstentions will be counted for purposes of determining (i) either 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 and Proposal Five). Accordingly, abstentions will have no effect on the election of directors in Proposal One or the outcome of Proposal Five.

While broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business, broker non-votes will not be counted for purposes of determining the number of votes cast with respect to the particular proposal on which the broker has expressly not voted. Thus, broker non-votes will not affect the outcome of the voting on Proposals One, Two, Three, Four or Five.

A broker will vote your shares only if the proposal is a matter on which your broker has discretion to vote (such as the ratification of our independent registered public accounting firm in Proposal Three), or if you provide instructions on how to vote by following the instructions provided to you by your broker.

### **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 NI 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 NI may submit proper proposals for inclusion in NI's Proxy Statement and for consideration at the annual meeting of stockholders to be held in 2012 by submitting their proposals in writing to the Secretary of NI in a timely manner. In order to be considered for inclusion in NI's proxy materials for the annual meeting of stockholders to be held in 2012, stockholder proposals must be received by the Secretary of NI no later than December 2, 2011, 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, NI's bylaws establish an advance notice procedure with regard to business to be brought before an annual meeting, including stockholder proposals not included in NI's Proxy Statement. For director nominations or other business to be properly brought before NI's 2012 annual meeting by a stockholder, such stockholder must deliver written notice to the Secretary of NI at NI's principal executive office no later than January 31, 2012 and no earlier than January 1, 2012. If the date of NI's 2012 annual meeting is advanced or delayed by more than 30 calendar days from the first anniversary date of the 2011 Annual Meeting, your notice of a proposal will be timely if it is received by NI by the close of business on the tenth day following the day NI publicly announces the date of the 2012 annual meeting.

The proxy grants the proxy holders discretionary authority to vote on any matter raised at the Annual Meeting. If 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 2012 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 NI. All notices of proposals and director nominations by stockholders should be sent to National Instruments Corporation, 11500 North Mopac Expressway, Building C, Austin, Texas 78759, Attention: Corporate Secretary.

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

NI's Board of Directors is divided into three classes, with the term of the office of one class expiring each year. The authorized number of directors which constitutes the entire Board of Directors is currently seven, with two directors in Class I, three directors in Class II, and two directors in Class III. The terms of office of Class II directors Mr. Jeffrey L. Kodosky, Dr. Donald M. Carlton and Mr. John K. Medica will expire at the Annual Meeting. Mr. Kodosky, Dr. Carlton and Mr. Medica will stand for re-election to the Board of Directors at the Annual Meeting. The terms of office of Class III directors Ms. Duy-Loan T. Le and Mr. Charles J. Roesslein will expire at the 2012 annual meeting. The terms of office of Class I directors Dr. James J. Truchard and Mr. John M. Berra will expire at the 2013 annual meeting. Under the listing requirements of the Nasdaq Stock Market, a majority of the Board of Directors must be comprised of independent directors. The Board of Directors has determined that each of Mr. Berra, Dr. Carlton, Ms. Le, Mr. Roesslein and Mr. Medica is independent under applicable Nasdaq listing standards and Rule 10A-3 of the Securities Exchange Act of 1934.

**Vote Required; Recommendation of Board of Directors**

The 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 NI's Certificate of Incorporation.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for NI's nominees named below. If any nominee of NI 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 UNANIMOUSLY RECOMMENDS A VOTE FOR THE NOMINEES LISTED BELOW.**

**Nominees for Election at the Annual Meeting**

The Nomination and Governance Committee, consisting solely of independent directors as determined under applicable Nasdaq listing standards, recommended the three individuals set forth in the table below for nomination by our full Board of Directors. Based on such recommendation, our Board of Directors nominated such directors 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, current principal occupation and business experience.

<b>Name of Nominee</b>	<b>Age</b>	<b>Position/Principal Occupation</b>	<b>Director Since</b>
Jeffrey L. Kodosky	61	Director; Fellow of NI	1976
Donald M. Carlton (1) (2)	73	Director; Former President and Chief Executive Officer of Radian International LLC	1994
John K. Medica	52	Director; Former Senior Vice President and Co-Leader, Product Group at Dell, Inc.	2008

- (1) Member of Audit Committee
- (2) Member of Nomination and Governance Committee

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

The Board concluded that Mr. Kodosky should be nominated as a director since he is a founder of NI, a highly respected mentor in the NI global R&D organization and continues to chart new directions for NI's flagship product, LabVIEW. Mr. Kodosky has developed more than 30 patented LabVIEW technologies and his ongoing work has helped NI grow this software into an award-winning industry programming environment that addresses a variety of industries and application areas.

*Donald M. Carlton, PhD*, has been a member of NI'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 American Electric Power, a publicly traded company.

The Board concluded that Dr. Carlton should be nominated and serve as a director since he has a broad background as an executive and has significant experience in sales which is key to NI. He also has experience in the development of large accounts, marketing strategies, chemical process development, supply chain and inventory management, accounting and compliance with SEC matters, all of which skills the Board believes are important to have represented on the NI Board.

*John K. Medica* has been a member of NI's Board of Directors since 2008. He retired as Senior Vice President and Co-Leader, Product Group from Dell Inc. in April 2007. In 1993, Mr. Medica joined Dell as Vice President, Portable Systems. During 1996, he served as President and Chief Operating Officer of Dell's Japan division. He returned to the U.S. in August 1997 as Vice President, Procurement, and later served as Vice President, Web Products Group, and Vice President and General Manager, Transactional Product Group. Prior to joining Dell, he served as Project Leader for the Macintosh II, Director of the Macintosh CPU Projects Group and Senior Director of PowerBook Engineering with Apple Computer. Mr. Medica received his bachelor's degree in Electrical Engineering from Manhattan College, and his master's degree in Business Administration from Wake Forest University. Mr. Medica is currently a director of Compal Electronics, Inc., a publicly traded company.

The Board concluded that Mr. Medica should be nominated and serve as a director since he has an extensive background with global sales management matters having managed Dell's Japanese based global accounts. In particular, he has experience with consumer, small business, corporate, and governmental accounts. He is also experienced in a range of other management functions including marketing and sales force management activities, hardware and software development, new product operations, supply chain management, manufacturing facilities and human resources through developing executive talent management programs.



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**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, current principal occupation and business experience.

<b>Name of Director</b>	<b>Age</b>	<b>Position/Principal Occupation</b>	<b>Director Since</b>
James J. Truchard	67	Chairman of the Board of Directors and President of NI	1976
John M. Berra (1) (2) (3)	63	Director; Former Chairman of Emerson Process Management and Executive Vice President of Emerson Electric Company	2010
Charles J. Roesslein (1) (2) (3)	62	Director; Former Chairman of the Board of Directors and President of Prodigy Communications Corporation	2000
Duy-Loan T. Le (1) (2) (3)	48	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

*James J. Truchard, PhD* co-founded NI 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 ARL, 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.

The Board concluded that Dr. Truchard should serve as a director since he is a founder and large stockholder of NI and has pioneered the development of virtual instrumentation software and hardware. Further, the Board recognizes that under Dr. Truchard's leadership as a Board member and as CEO, he has inspired innovation, growth, and expansion over a period of over 30 years to make NI a highly successful, worldwide enterprise while maintaining an entrepreneurial spirit.

*John M. Berra* has been a member of NI's Board of Directors since May 2010. From October 2008 through September 2010, Mr. Berra served as Chairman of Emerson Process Management, a global leader in providing solutions to customers in process control, and as Executive Vice President of Emerson Electric Company. From 1997 until 2008, he served as President of Emerson Process Management. Mr. Berra has diversified experience in global business, strategic planning, technology, organizational planning and acquisitions. Mr. Berra joined Emerson's Rosemount division as a marketing manager in 1976 and, thereafter, continued assuming more prominent roles in the organization until 1997, when he was named President of Emerson's Fisher-Rosemount division (now Emerson Process Management). Prior to joining Emerson, Mr. Berra was an instrument and electrical engineer with Monsanto Company. Mr. Berra is currently a Director of Ryder System, Inc., and serves as Chair of that company's compensation committee, and as a member of its Finance Committee.

The Board concluded that Mr. Berra should serve as a director due to his significant executive level experience at leading corporations Emerson and Monsanto. In particular, as President of Emerson Process Management, he was chief executive of a \$6.7-billion dollar global corporation. He has extensive experience growing large accounts and broad based sales and marketing experience concentrated in a number of markets. He also has extensive experience in hardware development of measurement products and control systems and software dealing with PC software and embedded applications.

*Charles J. Roesslein* has been a member of NI's Board of Directors since July 2000. Since 2004, Mr. Roesslein has been Chief Executive Officer of Austin Tele-Services, LLC, which is in the secondary market for telecom and IT assets. 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 Atlantic Tele-Network, Inc., a publicly traded company.

The Board concluded that Mr. Roesslein should serve as a director since he brings a wealth of financial and executive experience to the Board including extensive experience in the development of large accounts while serving Southwestern Bell Corporation's customers. He also has a strong financial background having served as Vice President and Chief Financial Officer of Southwestern Bell Publications and as Vice President and Chief Financial Officer of Southwestern Bell Telephone Company. Mr. Roesslein has an extensive high level background in the telecom industry and in telecom technologies.

*Duy-Loan T. Le* has been a member of NI's Board of Directors since September 2002. During her continuing 28-year career at Texas Instruments, Inc. (TI), in 2002, Ms. Le became the first woman at TI elected to the rank of Senior Fellow. Prior to this role, she held leadership positions throughout TI. 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, 90nm, 65nm, 40nm, and 28nm. Ms. Le is currently responsible for technology readiness and product execution for TI's multibillion-dollar digital business. Ms. Le has been awarded 24 patents and has 7 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.

The Board concluded that Ms. Le should serve as a director since she has extensive experience managing platform-based product development. She oversees the definition of technology requirements, leads technology qualifications with the development teams, and directs execution to achieve functionality, performance, power, yield, quality, reliability and capacity goals to enable successful product launch and ramp. She has managed global R&D centers for TI; these teams span multiple countries, disciplines, businesses, and organizations across TI. She has 20 years of process manufacturing experience. These skills and knowledge are relevant for NI's business.

There is no family relationship between any director, director nominee or officer of NI.

### SECURITY OWNERSHIP

The following table sets forth the beneficial ownership of NI's common stock as of the Record Date (i) by all persons known to NI, 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 NI's common stock, (ii) by each of the executive officers named in the Summary Compensation Table under Executive Compensation, (iii) by each director and director nominee, and (iv) by all current directors and executive officers as a group:

Name of Person or Entity	Number of Shares (1)	Approximate Percentage Owned (2)
James J. Truchard	24,201,947 (3)	20.36%
11500 North Mopac Expressway		
Austin, Texas 78759		
Capital World Investors	7,441,489 (4)	6.26%
333 South Hope Street		
Los Angeles, California 90071		
Royce & Associates	6,076,351 (5)	5.11%
745 Fifth Avenue		
New York, New York 10151		
Neuberger Berman Inc.	6,031,894 (6)	5.07%
605 Third Avenue		
New York, New York 10158		
Jeffrey L. Kodosky	3,521,826 (7)	2.96%
11500 North Mopac Expressway		
Austin, Texas 78759		
Donald M. Carlton	56,975 (8)	*
Charles J. Roesslein	85,706 (9)	*
Duy-Loan T. Le	62,027 (10)	*
John K. Medica	20,865 (11)	*
John M. Berra	3,720 (12)	*
Alexander M. Davern	77,326 (13)	*
Peter Zogas, Jr.	140,330 (14)	*
Phillip D. Hester.	7,514 (15)	*
John Graff	94,725 (16)	*
All executive officers and directors as a group (15 persons)	28,546,462 (17)	23.94%

\* 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.

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- (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 118,887,916 shares of common stock outstanding on March 14, 2011 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 14, 2011, including restricted stock units ( RSUs ) and/or shares issuable upon the exercise of options that are vested or vest on or within 60 days of March 14, 2011.
- (3) Includes 22,231,889 shares held in two trust accounts for which Dr. Truchard is the trustee, 1,875,000 shares held in a limited partnership for which Dr. Truchard is the general partner, and 95,058 shares held by a non-profit corporation of which Dr. Truchard is president.
- (4) The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC on February 14, 2011, reflecting beneficial ownership as of December 31, 2010. The Schedule 13G/A states

that Capital World Investors has sole voting power with respect to 7,441,489 shares of common stock and sole investment power with respect to 7,441,489 shares of common stock.

- (5) The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC on January 18, 2011, reflecting beneficial ownership as of December 31, 2010. The Schedule 13G states that Royce & Associates, LLC has sole voting power with respect to 6,076,351 shares of common stock and sole investment power with respect to 6,076,351 shares of common stock.
- (6) The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC on February 14, 2011, reflecting beneficial ownership as of December 31, 2010. The Schedule 13G/A states that Neuberger Berman Inc. has shared voting power with respect to 5,617,578 shares of common stock and shared investment power with respect to 6,031,894 shares of common stock.
- (7) Includes an aggregate of 1,290,708 shares held in two trusts for the benefit of Mr. Kodosky's daughters for which Mr. Kodosky is the trustee; includes 218,383 shares held by a non-profit corporation of which Mr. Kodosky is president and his wife, Gail T. Kodosky, is secretary; includes 129,525 shares held by a charitable remainder trust for the benefit of Mr. Kodosky and his wife; includes 17,998 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 power over the securities held therein; includes an aggregate of 116,539 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 874,337 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 3,521,826 shares.)
- (8) Includes 26,250 shares subject to options exercisable and 6,361 shares subject to RSUs which vest on or within 60 days of March 14, 2011.
- (9) Includes 37,500 shares subject to options exercisable and 6,361 shares subject to RSUs which vest on or within 60 days of March 14, 2011, and 1,000 shares held by Mr. Roesslein's son.
- (10) Includes 15,000 shares subject to options exercisable and 6,361 shares subject to RSUs which vest on or within 60 days of March 14, 2011.
- (11) Includes 8,862 shares subject to RSUs which vest on or within 60 days of March 14, 2011.
- (12) Includes 3,720 shares subject to RSUs which vest on or within 60 days of March 14, 2011.
- (13) Includes 40,040 shares subject to options exercisable and 18,782 shares subject to RSUs which vest on or within 60 days of March 14, 2011.
- (14) Includes 45,181 shares subject to options exercisable and 14,248 shares subject to RSUs which vest on or within 60 days of March 14, 2011.
- (15) Includes 7,514 shares subject to RSUs which vest on or within 60 days of March 14, 2011.
- (16) Includes 14,506 shares subject to options exercisable and 7,511 shares subject to RSUs which vest on or within 60 days of March 14, 2011.

- (17) Includes 264,370 shares subject to options exercisable and 108,915 shares subject to RSUs which vest on or within 60 days of March 14, 2011.

## CORPORATE GOVERNANCE

### Board Meetings and Committees

The Board of Directors of NI held a total of nine meetings during 2010. The Board of Directors has 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. NI encourages, but does not require, its board members to attend NI's annual stockholders meeting. In 2010, all directors, with the exception of Ms. Le and Mr. Medica, attended NI's annual stockholders meeting. NI plans to schedule future annual meetings so that at least a majority of its directors can attend the annual meeting.

### Board Leadership Structure

The Board of Directors believes that NI's Chief Executive Officer, Dr. Truchard, is best situated to serve as Chairman because he is the director most familiar with NI's business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. Dr. Truchard is also a founder of NI and NI's largest stockholder. The Board's independent directors and management directors have different perspectives and roles in strategic development. NI's independent directors bring experience, oversight and expertise from outside the company and industry, while the Chief Executive Officer and the other management director bring company-specific experience and expertise. The Board of Directors believes that the combined role of Chairman and Chief Executive Officer promotes strategy development and execution, and facilitates information flow between management and the Board of Directors, which are essential to effective governance. NI does not have a lead independent director.

The NI Board oversees risk management in a number of ways. The Audit Committee oversees the management of financial and accounting related risks as an integral part of its duties. Similarly, the Compensation Committee considers risk management when setting the compensation policies and programs for NI's executive officers and other employees. The full Board of Directors receives reports on various risk related items at each of its regular meetings including risks related to NI manufacturing operations, intellectual property, taxes, products and employees. The Board also receives periodic reports on NI's efforts to manage such risks through safety measures, insurance or self-insurance.

### Communications to the Board of Directors

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. Correspondence received that is addressed to the members of the Board of the Directors will be reviewed by NI's General Counsel or his designee, who will forward such correspondence to the appropriate members of the Board of the Directors.

### **Audit Committee**

The Audit Committee, which currently consists of directors Donald M. Carlton, Charles J. Roesslein, Duy-Loan T. Le, and John M. Berra, met eight times during 2010. The Audit Committee appoints, compensates, retains and oversees the engagement of NI's independent registered public accounting firm, reviews with such independent registered public accounting firm the plan, scope and results of their examination of NI's consolidated financial statements and reviews the independence of such independent registered public accounting firm. The Audit Committee inquires about any significant risks or exposures and assesses the steps management has taken to minimize such risks to NI, including the adequacy of insurance coverage and the strategy for management of foreign currency risk. The Audit Committee also reviews NI'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 NI regarding accounting, internal accounting controls or auditing matters and for NI 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 available on NI's website at

[http://www.ni.com/nati/corporategovernance/composition\\_charters.htm](http://www.ni.com/nati/corporategovernance/composition_charters.htm).

### **Nomination and Governance Committee**

The Nomination and Governance Committee, which currently consists of directors Charles J. Roesslein, Donald M. Carlton, Duy-Loan T. Le, and John M. Berra, each of whom is deemed to be an independent director as that term is defined by the Nasdaq listing standards, met three times during 2010. 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 chairpersons, 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. The Nomination and Governance Committee also considers issues of diversity, such as education, professional experience and differences in viewpoints and skills. The Nomination and Governance Committee does not have a formal policy with respect to diversity; however, the Board of Directors and the Nomination and Governance Committee believe that it is important that the members of the Board of Directors represent diverse viewpoints. The Nomination and Governance Committee's process for identifying and evaluating nominees typically involves a series of internal discussions, review of information concerning candidates and interviews with selected candidates. 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. NI 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 available on NI's website at

[http://www.ni.com/nati/corporategovernance/composition\\_charters.htm](http://www.ni.com/nati/corporategovernance/composition_charters.htm).



### **Compensation Committee**

The Compensation Committee, which currently consists of directors Duy-Loan T. Le, Charles J. Roesslein, and John M. Berra, each of whom is deemed to be an independent director as that term is defined by the Nasdaq listing standards, met eight times during 2010. The charter of the Compensation Committee is available on NI's website at

[http://www.ni.com/nati/corporategovernance/composition\\_charters.htm](http://www.ni.com/nati/corporategovernance/composition_charters.htm).

The Compensation Committee seeks input from NI's President and Chief Executive Officer, Dr. Truchard, when discussing the performance of, and compensation levels for, executives other than himself. The Compensation Committee also works closely with Dr. Truchard and NI's vice president of human resources and others as required in evaluating the financial, accounting, tax and retention implications of NI's various compensation programs. The vice president of human resources regularly attends the meetings of the Compensation Committee and, at such meetings, provides advice on compensation matters to the Compensation Committee. The vice president of human resources also provides guidance to the Compensation Committee concerning compensation matters as they relate to NI's executive officers. Neither Dr. Truchard, the vice president of human resources, nor any of NI's other executives participates in deliberations relating to his own compensation.

Under the terms of its charter, the Compensation Committee establishes the compensation of NI's Chief Executive Officer, evaluates the performance of NI's executive officers, and establishes the salaries and cash bonus compensation of the executive officers based on recommendations of the Chief Executive Officer. The Compensation Committee also periodically examines NI's compensation structure to evaluate whether NI is rewarding its officers and other personnel in a manner consistent with sound industry practices and makes recommendations on such matters to NI's management and Board of Directors. The Compensation Committee also has oversight responsibility for NI's 2010 Incentive Plan, 2005 Incentive Plan, Employee Stock Purchase Plan and Amended and Restated 1994 Incentive Plan. The Board of Directors may by resolution prescribe additional authority and duties to the Compensation Committee.

The Compensation Committee's charter does not contain a provision providing for the delegation of its duties to other persons. The Compensation Committee has not delegated any of its authority.

NI has not historically utilized compensation consultants in determining or recommending the amount or form of executive compensation. As discussed in the Compensation Discussion and Analysis, NI uses survey information and compares its executive compensation levels with those of other technology companies in such survey that NI believes to be comparable in terms of market capitalization and annual revenue.

In February 2011, the Compensation Committee engaged The Alexander Group, Inc. as a consultant to assess our current sales compensation programs for executive and non-executive sales personnel and to recommend appropriate changes to our current programs or assist in the design of new programs.

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee are set forth in the Corporate Governance Compensation Committee section and do not include any NI executive officers. During 2010, no NI executive officer served on the compensation committee (or equivalent), or the board of directors, of another entity whose executive officer(s) served on NI's Compensation Committee. During 2010, no NI executive officer served on the compensation committee (or equivalent) of another entity whose executive officer(s) served as a member of the NI Board of Directors.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### Transactions with Related Persons

NI had no related party transactions within the meaning of applicable SEC rules for the year ended December 31, 2010.

### Policy and Procedures for Review, Approval, or Ratification of Related Party Transactions

Pursuant to its written charter, the Audit Committee is responsible for reviewing NI's policies relating to the avoidance of conflicts of interests and past or proposed transactions between NI, members of the Board of Directors of NI, and management. NI considers related person transactions to mean all transactions involving a related person, which under SEC rules means an executive officer, director or a holder of more than five percent of NI's common stock, including any of their immediate family members and any entity owned or controlled by such persons. The Audit Committee determines whether the related person has a material interest in a transaction and may approve, ratify, rescind or take other action with respect to the transaction in its discretion.

In any transaction involving a related person, NI's Audit Committee would consider the available material facts and circumstances of the transaction, including: the direct and indirect interests of the related person; the risks, costs and benefits of the transaction to NI; whether any alternative transactions or sources for comparable services or products are available; and, in the event the related person is a director (or immediate family member of a director or an entity with which a director is affiliated), the impact that the transaction will have on such director's independence.

After considering such facts and circumstances, NI's Audit Committee determines whether approval, ratification or rescission of the related person transaction is in NI's best interests. NI's Audit Committee believes that all employees and directors should be free from conflicting interests and influences of such nature and importance as would make it difficult to meet their applicable fiduciary duties and loyalty to NI, and reviews all related party transactions against the foregoing standard.

NI's written policies and procedures for review, approval or ratification of transactions that pose a conflict of interest, including related person transactions, are set forth in its Code of Ethics, which contains, among other policies, a conflicts of interest policy for all employees, including NI's executives, and a conflicts of interest policy for non-employee directors.

Under NI's written conflicts of interest policy applicable to all employees, including NI's executives, every employee is required to report to NI's President any information regarding the existence or likely development of conflicts of interest involving themselves or others within NI. While NI provides examples of potential conflicts of interests, such as investments in enterprises that do

business with NI, compensation for services to any person or firm which does business with NI, or gifts and loans and entertainment from any person or firm having current or prospective dealings with NI, the policy applicable to employees expressly states that the examples provided are illustrative only and that each employee should report any other circumstance which could be construed to interfere actually or potentially with loyalty to NI. Transactions involving potential conflicts of interests for employees are reviewed by NI's President, who makes a determination as to whether there exists any conflict of interest or relationship which violates NI's policies and the appropriate actions to take with respect to such relationship. NI's General Counsel reports to the Audit Committee the conflict of interest reports received and acted upon by the President. In the event a report was received concerning a potential conflict of the President or a member of the Board of Directors, the Audit Committee would review such matter.

The written conflicts of interest policy applicable to all non-employee directors is substantially similar to the conflicts of interest policy applicable to NI employees, with the exception that every non-employee director is required to report potential conflict of interest situations to the Audit Committee, which is responsible for making the determination as to whether there exists any conflict of interest or relationship which violates such policy. If the Audit Committee determines that a conflict of interest exists, the non-employee director involved will be required to dispose of the conflicting interest to the satisfaction of the Audit Committee.

## BOARD COMPENSATION

### Determining Compensation for Non-Employee Directors in 2010

The Board of Directors, upon the recommendation of the Nomination and Governance Committee, sets non-employee directors' compensation with the goal of retaining NI's directors and attracting qualified persons to serve as directors. In developing its recommendations, the Nomination and Governance Committee considers director compensation at comparable publicly-traded companies and aims to structure director compensation in a manner that is transparent and easy for stockholders to understand.

The compensation of non-employee directors for the fiscal year ended December 31, 2010 is set forth in the table below.

### Director Compensation

#### For Fiscal Year Ended December 31, 2010

Name	Fees Earned or Paid in Cash	Stock Awards (1)	Option Awards	Total
James J. Truchard (2)	\$	\$	\$	\$
Jeffrey L. Kodosky (3)				
Donald M. Carlton	67,500	120,007		187,507
Charles J. Roesslein	62,500	120,007		182,507
Duy-Loan T. Le	65,000	120,007		185,007
John K. Medica	60,000	120,007		180,007
John M. Berra	38,407	240,014		278,421

- (1) Amounts represent the dollar amount recognized for financial statement reporting purposes for 2010 in accordance with FASB ASC 718. These dollar amounts reflect the aggregate grant date fair value for these stock awards and may not correspond to the actual value that will be recognized by the directors. The grant date fair value of each award is expensed monthly based on the estimated vesting period of the corresponding grant, which is 36 months. Grant date fair value is calculated using the closing price of the day immediately preceding the date of grant multiplied by the number of RSUs granted. In 2010, Mr. Carlton, Mr. Roesslein, Ms. Le, and Mr. Medica were granted 5,580 RSUs and Mr. Berra was granted 11,160 RSUs on June 23, 2010. The grant date fair value of each RSU grant was based on the June 22, 2010 closing price of \$21.51 per share. These RSUs vest over a three-year period with 1/3rd of the RSUs vesting on each anniversary of the vesting commencement date, which is May 1 of each year.
- (2) As an employee director, Dr. Truchard does not receive any additional compensation for his service as a director. His employee compensation is included in the Summary Compensation Table.
- (3) As an employee director, Mr. Kodosky does not receive any additional compensation for his service as a director. Mr. Kodosky is a Business and Technology Fellow, but not a named executive officer, as such term is defined under Item 402(a)(3) of Regulation S-K. Pursuant to SEC rules, the compensation that a director receives for services as a Business and Technology Fellow does not need to be reported in the table for Director Compensation.

**Discussion of Director Compensation**

In 2010, the annual compensation for NI's non-employee directors was comprised of cash compensation in the form of an annual retainer, committee chair retainer and equity compensation in the form of RSUs. Each of these components is described below. An NI employee director does not receive any additional compensation for his service as a director.

*Annual Board/Committee Retainer Fees*

Non-employee directors received an annual cash retainer of \$60,000 per year, with the Audit Committee Chair being paid an additional \$7,500 annual retainer, the Compensation Committee Chair being paid an additional \$5,000, and the Nomination and Governance Chair being paid an additional \$2,500.

*Non-Employee Director Reimbursement Practice*

Non-employee directors are reimbursed for travel and other out-of-pocket expenses connected to Board travel.

*Restricted Stock Unit Awards*

Under NI's 2010 Incentive Plan, non-employee directors are eligible to receive RSU grants.

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**EXECUTIVE OFFICERS**

The following table sets forth information concerning the persons serving as executive officers of NI as of the Record Date, including information as to each executive officer's age, position with NI and business experience. Officers of NI serve at the discretion of the Board.

<b>Name of Executive Officer</b>	<b>Age</b>	<b>Position</b>
James J. Truchard	67	Chairman of the Board of Directors and President
Alexander M. Davern	44	Chief Operating Officer, Executive Vice President, Chief Financial Officer; and Treasurer
Peter Zogas, Jr.	50	Senior Vice President, Sales and Marketing
Phillip D. Hester	56	Senior Vice President, Research and Development
John M. Graff	46	Vice President, Sales and Marketing, Americas
Raymond C. Almgren	45	Vice President, Product Marketing for Core Platforms
Mark A. Finger	53	Vice President, Human Resources
David G. Hugley	47	Vice President and General Counsel; Secretary
Robert R. Porterfield	48	Vice President, Manufacturing

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

*Alexander M. Davern* joined NI in February 1994 and currently serves as Chief Operating Officer, Executive Vice President, Chief Financial Officer and Treasurer. He previously served as NI's Chief Financial Officer; Senior Vice President, IT and Manufacturing Operations and Treasurer from December 2002 to October 2010; as 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 NI, 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 Commerce and a diploma in professional accounting from University College in Dublin, Ireland.

*Peter Zogas, Jr.* joined NI in 1985 and currently serves as Senior Vice President, Sales and Marketing. He previously served as NI's Vice President, Sales from July 1996 to December 2002. His earlier positions with NI include National Sales Manager, Business Development Manager, Regional Sales Manager, and Sales Engineer. Prior to joining NI, 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.

*Phillip D. Hester* joined NI in 2009 and serves as Senior Vice President of Research and Development. He previously served as the Senior Vice President and Chief Technology Officer at Advanced Micro Devices (AMD) from September 2005 to May 2008. Prior to AMD, he spent more than two decades working in a variety of leadership and management roles at IBM, including Chief Technology Officer and Vice President of Systems and Technology for the PC division and General Manager of the Systems and Technology division, where he oversaw 1,500 employees globally. Mr. Hester is also an entrepreneur, having founded a company that develops and manufactures easy-to-deploy server and storage technology for original equipment manufacturers. He has been a Director of ON Semiconductor since August 2006, and chairs the Science and Technology committee. Mr. Hester received both his bachelor's and master's degrees in Electrical Engineering from UT Austin.

*John M. Graff* joined NI in June 1987 and currently serves as Vice President, Sales and Marketing, Americas. He previously served as NI's Vice President, Marketing, Customer Operations

and Investor Relations from January 2003 to October 2010, 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 NI 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.

*Raymond C. Almgren* joined NI in June 1987 and currently serves as Vice President, Product Marketing for Core Platforms. He previously served as NI's Vice President, Product Marketing and Academic Relations. He served as NI's Vice President, Product Strategy from September 2001 to December 2002. His earlier positions with NI 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.

*Mark A. Finger* joined NI in August 1995 as Director of Human Resources and was appointed Vice President, Human Resources in December 1996. Prior to joining NI, 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.

*David G. Hugley* joined NI in 1991 as General Counsel, was appointed Secretary of NI 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.

*Robert R. Porterfield* joined NI in April 1993 and currently serves as Vice President, Manufacturing. His earlier positions with NI include Director of International Operations and Global Supply Chain, Director of International Operations and Global Planning, Planning Manager, Materials Manager and Warehousing Supervisor. Mr. Porterfield received his bachelor's degree in Aerospace Engineering from Auburn University and a master's degree in Business Administration from UT Austin.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### Overview of Compensation Philosophy and Objectives

NI's philosophy towards compensation for its principal executive officer, principal financial officer, and the three most highly compensated executives other than the principal executive officer and the principal financial officer whose total compensation exceeded \$100,000 (the named executives) and other executives reflect the following principles:

*Total compensation opportunities should be competitive.* NI believes that its total compensation programs should be competitive so that NI can attract, retain and motivate talented executives.

*Total compensation should be related to NI's performance.* NI believes that a significant portion of its executives' total compensation should be directly linked to achieving specified financial objectives that NI believes will create stockholder value.

*Total compensation should be related to individual performance.* NI believes that executives' total compensation should reward individual performance achievements and encourage individual contributions to NI's performance.

*Equity awards help executives think like stockholders.* NI believes that executives' total compensation should have a significant equity component because stock based equity awards help reinforce the executive's long-term interest in NI's overall performance and thereby align the interests of the executive with the interests of NI's stockholders.

*NI's overall amount of equity awards should be related to its revenue growth.* NI believes that its use of equity awards must be sensitive to the dilutive impact that such equity compensation will have on its stockholders. As a result, NI's overall amount of equity awards for each year is linked to its revenue growth.

*The same compensation programs should generally apply to both executive and non-executive employees whenever possible.* NI values the contributions of all employees and, to the extent practicable, NI designs its compensation programs to apply to all employees. NI seeks to minimize the number of compensation programs that apply only to its executives and disfavors the use of executive perks.

### **Determining Executive Compensation**

In establishing NI's overall program for executive compensation, the Compensation Committee works closely with NI's senior management, including its Chief Executive Officer and Vice President of Human Resources. However, NI's executives do not participate in any Board or Compensation Committee deliberations relating to their own compensation.

As described below, NI utilizes survey information to help determine whether the total compensation package for its executives is competitive with comparable companies. NI exercises judgment in allocating compensation among specific programs in view of its overall compensation philosophy, objectives and business results.

Radford Surveys, a leading provider of survey information regarding executive compensation of technology companies, provides NI with executive compensation information of companies in the high technology industry that have annual revenues ranging from \$500 million to \$1.5 billion. NI believes the information from companies in such revenue range is appropriate because it affords an adequate sample size of comparable high technology companies and because the average annual revenue of the companies in such range is comparable to NI's annual revenue. NI compares the compensation of its executive officers with that of the executive officers in the Radford Surveys as a whole rather than any individual company within such survey.

NI believes that total compensation at or around the 50<sup>th</sup> percentile of the peer companies provided in the Radford Surveys as a group is the appropriate starting point for benchmarking the compensation of its executives. Though NI uses such 50<sup>th</sup> percentile as a reference point, NI does not target a specific percentile in the range of comparative information for each individual executive or for each component of compensation. Instead, NI structures a total compensation package in view of the comparative information and such other factors specific to the individual, including level of responsibility, prior experience and expectations of future performance. NI uses information obtained



from Radford Surveys to test for reasonableness and competitiveness of its compensation package as a whole, but exercises judgment in allocating compensation among executives and within each element of an individual's total compensation package. Other than the use of the Radford Surveys described above, NI does not use peer group executive compensation information. Set forth on Exhibit A is each of the companies that are covered by the relevant portion of the Radford Surveys information utilized by NI for 2010 compensation purposes.

NI does not have specific policies for allocating between long-term and currently paid out compensation nor policies for allocating between cash and non-cash compensation, and among different forms of non-cash compensation. Other than NI's President and Chief Executive Officer, who does not participate in the Annual Incentive Program, or AIP, and has not received any equity awards, each NI executive may receive a mix of compensation comprised of base salary, discretionary bonuses and cash bonus programs, and equity awards. The amount of compensation allocated to each element of compensation is determined on a case-by-case basis, with the exception of the annual Company cash performance bonus program which is described below.

With respect to the AIP, NI sets cash bonus targets based on information provided through the Radford Surveys regarding cash bonus levels of executives at similarly-situated companies, the recommendation of NI's Chief Executive Officer, and each executive's function and past performance. The amount of cash bonus ultimately paid depends on the extent to which performance goals are achieved, in each case subject to adjustment at the discretion of the Compensation Committee.

As described in greater detail below under Analysis of Elements of Executive Compensation, the Compensation Committee considers both NI performance and individual performance when determining the level of compensation for a number of the elements of executive compensation. For example, in determining the grants of RSUs and any increases in base salary, the Compensation Committee takes into consideration, among other things, the prior individual performance of an executive officer, as well as NI's performance. Similarly, the AIP is an at risk bonus program designed to induce NI's executive officers to accomplish a set of goals based upon individual performance and NI's business goals and reflects NI's philosophy that total compensation should be related both to individual performance and NI's performance. Amounts, if any, awarded under the discretionary cash program are determined solely on individual performance. For some of NI's other elements of executive compensation, such as the annual company cash performance bonus program, NI's performance as a whole is determinative of the compensation payable to the participants. The Compensation Committee believes that the various elements of executive compensation work together to promote NI's objective that total compensation should be related both to individual performance and NI's performance.

#### **Elements of Executive Compensation**

The components of NI's executive compensation for 2010 were as follows:

- Base salary;
- Annual company cash performance bonus program;
- AIP for executives;
- Discretionary cash bonus program;
- RSU grants under the NI 2005 Incentive Plan and the NI 2010 Incentive Plan; and
- Service award cash bonus program.

A broad base of NI's employees participate in the compensation programs enumerated above with the exception of the AIP for executives. In addition, NI's Senior Vice President, Sales and Marketing, participates in a sales commission program based upon growth and profitability performance measures approved by the Compensation Committee.

NI's executive and non-executive employees who meet the relevant eligibility requirements may also participate in the following programs:

**Employee stock purchase plan.** This plan is a tax-qualified plan pursuant to which most employees can purchase NI stock at a 15% discount to the market price. Under this plan, a participant can invest a maximum amount equal to 15% of base salary and commissions, provided that such amount cannot exceed \$25,000 in any year.

**A tax-qualified, employee-funded 401(k) plan.** NI makes matching contributions under the plan in an amount equal to 50% of the amount of the employee's contribution up to 6% of the employee's base salary. The plan does not permit the purchase of shares of NI common stock.

**Health and welfare benefits.** Under this plan, the cost to NI is dependent on the level of benefits coverage an employee elects. NI seeks to reward shorter-term performance through base salary, its annual bonus programs and its discretionary bonus program. Longer-term performance is incentivized through RSU grants and the service award program.

#### **Analysis of Elements of Executive Compensation**

##### ***Base Salary***

NI's goal is to provide its executives with competitive base salaries. NI uses independent survey information to help evaluate the reasonableness and competitiveness of its base salaries. NI determines base salary for each executive based on the level of job responsibilities, consideration of the prior performance of the executive and the company, the executive's experience and tenure, consideration of the expected future contributions of the executive, the business risk presented to NI in the event the executive were to leave the employ of the company, and general compensation trends and practices in the technology industry, including pay levels and programs provided by comparable companies. In setting base salaries, NI does not utilize any particular formula but instead exercises judgment in view of its overall compensation philosophy and objectives. Individual base salaries are reviewed annually. In light of improved economic and business conditions, the salary reductions that were instituted in 2009 were fully restored for our executives on February 1, 2010.

##### ***Annual Company Cash Performance Bonus Programs***

NI rewards achievement of shorter term performance objectives through its cash bonus programs described below:

***Annual Company Cash Performance Bonus Program.*** NI maintains a cash performance bonus program under which substantially all regular full-time and part-time employees, including executives, participate (the Annual Performance Bonus Program). To receive the maximum payout under the plan, NI must achieve pre-determined goals for revenue growth and profitability. These

goals, as provided in the plan, were 40% year over year organic revenue growth and 18% operating profit as a percent of revenue. The same goals apply to all participants in the plan including executive and non-executive employees. The amount of the Annual Performance Bonus Program is based on a bonus payment percentage multiplied by the eligible earnings of each participant. Eligible earnings include base salary, overtime pay and commissions but exclude bonuses, equity awards, relocation payments and previous cash performance bonus payments. The bonus payment percentage for executives is determined by multiplying 40% by two variables: (x) NI's actual organic revenue growth divided by the targeted level of revenue growth of 40% and (y) NI's actual operating profit as a percentage of revenue multiplied by the target operating profit of 18%. The bonus payments percentage for non-executives was determined in the same manner except that the multiplier is 15% not 40%. Expressed as a formula, the bonus calculation for executives is as follows:

$$\begin{array}{ccccccc} \text{Calendar Year Organic} & & & \text{Calendar Year Operating} & & & \\ \text{Revenue Growth} & & \text{X} & \text{Profit} & & \text{X} & \\ \text{.40} & & & \text{.18} & & & \text{.40 = Bonus Percentage} \end{array}$$

For fiscal 2010, NI's named executives received individual payments under the Annual Performance Bonus Program in the range of approximately \$39,753 to \$89,724. Amounts under the Annual Performance Bonus Program are customarily made in two payments, one in the fourth quarter and the other upon the completion of the annual financial statement audit in the first quarter of the following year.

*Annual Incentive Program.* NI maintains an AIP under which only officers and Business and Technology Fellows and Research and Development Fellows participate. Dr. Truchard, NI's President and Chief Executive Officer, does not participate in the program. Under this program, payments are made to executive officers based upon the achievement of individual performance criteria and NI business goals approved by the NI Board and NI's President. Program participants are designated by NI's President and approved by the Compensation Committee. The participants under the AIP and the AIP goals are determined annually.

The AIP is intended to increase stockholder value and promote NI's success by providing incentive and reward for the accomplishment of key objectives by NI executives. Under the AIP, an executive is eligible to receive a maximum amount equal to 30% of base salary for Executive Vice Presidents and Senior Vice Presidents (or, in case of the Senior Vice President of Sales and Marketing, salary plus targeted commission) and a maximum of 20% of base salary for Vice Presidents, Business and Technology Fellows, and Research and Development Fellows. For the purposes of the AIP, the base salary amount to be used is set by the Compensation Committee at the time the goals are approved. Payments are made based on whether the individual executive has achieved his or her specified objectives for the year. Each executive typically has five or six objectives that are targeted to reward achievements in the executive's functional area or NI business goals. The objectives for NI's executive officers are presented to and approved by NI's President and then submitted for approval each year to the NI Board. The amount of the bonus for an executive officer which is allocated to each specific objective is approved each year by the Compensation Committee.

With respect to NI's executive officers, following the end of NI's fiscal year, NI's President and the Compensation Committee meet to determine whether the objectives of each executive officer were attained and then approve or disapprove the payment of the annual incentive amounts based upon the achievement of such objectives and the discretion of NI's President and the Compensation Committee. NI's President and the Compensation Committee, acting together, have the discretion to

pay all or a portion of an amount to an AIP participant even if such participant did not meet a particular objective if the President and the Compensation Committee believe that such payment is appropriate to achieve the objectives of the program.

For fiscal 2010, NI made cash bonus payments to named executives under the AIP that ranged from approximately \$40,300 to \$85,287 per executive.

Under the AIP, the Compensation Committee has the discretion to make payments of any cash incentive bonus in the fourth quarter of the calendar year based upon projected achievement levels ( Estimated Payment ) rather than waiting until following the calendar year once our books have been closed and audited. The payment of an Estimated Payment is subject to reconciliation after our books have been closed and audited. If the Estimated Payment is less than the final amount due to the AIP participant, an additional payment equal to the amount of the shortfall shall be made to such participant. If the Estimated Payment is more than the final amount due to the AIP participant, such participant shall remit to us the amount of the overpayment.

The tables below set forth the performance criteria, potential awards and actual awards under the AIP as well as the weightings assigned to the objectives for 2010 for each of the named executives, except Dr. Truchard, NI's President and Chief Executive Officer, who does not participate in the program:

### **2010 Annual Incentive Program Goals and Awards for the Named Executives**

#### **Alexander Davern, Chief Operating Officer, Chief Financial Officer,**

##### **Executive Vice President; Treasurer**

<b>2010 Officer Bonus Goals</b>	<b>% Goal Weighting</b>	<b>Goal Value (2)</b>	<b>2010 Actual Payout</b>
1) Achieve worldwide on-time delivery goal rate <sup>(1)</sup>	10%	\$ 9,750	\$ 9,750
2) Improve product reliability <sup>(1)</sup>	20%	\$ 19,500	\$ 14,625
3) Achieve gross margin goal <sup>(1)</sup>	20%	\$ 19,500	\$ 19,500
4) Ensure 2010 spending within budget <sup>(1)</sup>	20%	\$ 19,500	\$ 0
5) Achieve cost reductions <sup>(1)</sup>	20%	\$ 19,500	\$ 19,500
6) Personal Development <sup>(1)</sup>	10%	\$ 9,750	\$ 0
<b>Total</b>	<b>100%</b>	<b>\$ 97,500</b>	<b>\$ 63,375</b>

(1) NI is not disclosing the specific target level with respect to this specific performance goal because such information represents confidential trade secrets or confidential commercial or financial information, the disclosure of which would cause NI competitive harm. The specific performance goals were set to be a moderately difficult, or stretch goal, but not unachievable.

(2) Under the AIP, Mr. Davern was eligible to receive a maximum amount of \$97,500, which was equal to 30% of \$325,000, his base salary as of February 1, 2010.

#### **Peter Zogas, Senior Vice President, Sales & Marketing**

<b>2010 Officer Bonus Goals</b>	<b>% Goal Weighting</b>	<b>Goal Value (2)</b>	<b>2010 Actual Payout</b>
1) Drive LabVIEW adoption <sup>(1)</sup>	20%	\$ 17,700	\$ 8,850
2) Grow five products <sup>(1)</sup>	20%	\$ 17,700	\$ 14,160
3) Develop Account & Customer Focused Organization <sup>(1)</sup>	30%	\$ 26,550	\$ 23,541
4) Manage sales expenses <sup>(1)</sup>	10%	\$ 8,850	\$ 0
5) Document Evaluation <sup>(1)</sup>	10%	\$ 8,850	\$ 4,425
6) Leadership HIL, Test Segment and Services <sup>(1)</sup>	10%	\$ 8,850	\$ 6,195
<b>Total</b>	<b>100%</b>	<b>\$ 88,500</b>	<b>\$ 57,171</b>

(1) NI is not disclosing the specific target level with respect to this specific performance goal because such information represents confidential trade secrets or confidential commercial or financial information, the disclosure of which would cause NI competitive harm. The specific performance goals were set to be a moderately difficult, or stretch goal, but not unachievable.

(2) Under the AIP, Mr. Zogas was eligible to receive a maximum amount of \$88,500, which was equal to 30% of \$295,000, the sum of his base salary and commission target as of February 1, 2010.

**Phillip Hester, Senior Vice President, Research & Development**

<b>2010 Officer Bonus Goals</b>	<b>% Goal Weighting</b>	<b>Goal Value (2)</b>	<b>2010 Actual Payout</b>
1) People Development <sup>(1)</sup>	20%	\$ 18,900	\$ 18,900
2) R&D Productivity <sup>(1)</sup>	35%	\$ 33,075	\$ 30,713
3) Quality <sup>(1)</sup>	10%	\$ 9,450	\$ 7,088
4) Key Product Deliverables <sup>(1)</sup>	15%	\$ 14,175	\$ 12,049
5) Financials <sup>(1)</sup>	20%	\$ 18,900	\$ 16,537
<b>Total</b>	<b>100%</b>	<b>\$ 94,500</b>	<b>\$ 85,287</b>

(1) NI is not disclosing the specific target level with respect to this specific performance goal because such information represents confidential trade secrets or confidential commercial or financial information, the disclosure of which would cause NI competitive harm. The specific performance goals were set to be a moderately difficult, or stretch goal, but not unachievable.

(2) Under the AIP, Mr. Hester was eligible to receive a maximum amount of \$94,500, which was equal to 30% of \$315,000, his base salary as of February 1, 2010.

**John Graff, Vice President, Sales and Marketing, Americas**

<b>2010 Officer Bonus Goals</b>	<b>% Goal Weighting</b>	<b>Goal Value (2)</b>	<b>2010 Actual Payout</b>
1) Business Strategy / Corporate Operations <sup>(1)</sup>	40%	\$ 20,800	\$ 20,800
2) Expense Management <sup>(1)</sup>	10%	\$ 5,200	\$ 0
3) Web sales growth <sup>(1)</sup>	20%	\$ 10,400	\$ 9,100
4) Customer Operations <sup>(1)</sup>	10%	\$ 5,200	\$ 5,200
5) Organization and People Performance <sup>(1)</sup>	20%	\$ 10,400	\$ 5,200
<b>Total</b>	<b>100%</b>	<b>\$ 52,000</b>	<b>\$ 40,300</b>

(1) NI is not disclosing the specific target level with respect to this specific performance goal because such information represents confidential trade secrets or confidential commercial or financial information, the disclosure of which would cause NI competitive harm. The specific performance goals were set to be a moderately difficult, or stretch goal, but not unachievable.

(2) Under the AIP, Mr. Graff was eligible to receive a maximum amount of \$52,000 which was equal to 20% of \$260,000, his base salary as of February 1, 2010.

In assessing performance against the objectives for each named executive participating in the AIP, NI's President considered the actual results for 2010 against the specific deliverables associated with each objective, the extent to which the objective was a significant stretch goal for the organization, and whether significant unforeseen obstacles or favorable circumstances altered the expected difficulty in achieving the desired results. Based on the foregoing factors, NI's President recommended, and the Compensation Committee approved, an amount of cash payment for each objective for each named executive. As demonstrated by the total amounts set forth under the column heading "2010 Actual Payout," the actual payouts to NI's named executive officers ranged from 90% to 64% of the total amount they were eligible to receive under the AIP in 2010.

*Sales Commission Program Applicable to Senior Vice President of Sales and Marketing.* The amount of the sales commission actually paid to Mr. Zogas is based on two variables: (x) NI's actual

quarterly year over year revenue growth compared to the target quarterly year over year revenue growth as set forth in the operating budget ( revenue factor ) and (y) NI s actual quarterly operating profit compared to the target quarterly operating profit as set forth in the operating budget (the profit factor ). The profit factor may not exceed one for the purposes of computing the commission. NI s Board of Directors approves the operating budget which sets the target quarterly year over year revenue growth and target quarterly profit used for the purposes of calculating the actual commission payments made to Mr. Zogas. Expressed as a formula, the commission calculation for each quarter of the last fiscal year was as follows:

$$2 \quad X \quad \frac{[\text{Actual Quarterly Revenue Growth \%} - \text{Target Quarterly Revenue Growth \%} + 20]}{40} \quad X \quad \frac{\text{Actual Quarterly Profit \%}}{\text{Target Quarterly Profit \%}} \quad X \quad \$15,500$$

NI is not disclosing the specific target levels utilized in the formula set forth above for determining Mr. Zogas sales commission payouts because they represent confidential information that NI does not disclose to the public and NI believes that disclosure of such information would cause it competitive harm. The specific target levels were set to be a moderately difficult, or stretch goals, but not unachievable.

Under this sales commission program, Mr. Zogas earned for 2010 an aggregate of \$78,031, which represents approximately 156% of the annual target commission amount of \$50,000 set by the Compensation Committee.

*Sales Commission Program Applicable to Vice President, Sales and Marketing, Americas.* The amount payable to Mr. Graff under his sales commission program is based on the relationship between his sales quota and the actual sales for the relevant period. Specifically, if he achieves 100% of his sales quota for 2011, he would receive a payment of \$55,000. If he achieves less than his sales quota, he would be paid a pro-rata portion of the \$55,000 (e.g., at 80% of quota, he would be paid 80% of the \$55,000). If he achieves more than his sales quota, he would be paid ten times the pro-rata percentage by which the actual sales exceed the sales quota (e.g., at 105% of quota, he would be paid 150% of the \$55,000). Mr. Graff receives payments under this program on a quarterly basis and the quota is set approximately every six months.

***Discretionary Cash Bonus Program***

NI maintains a discretionary cash performance bonus program under which all employees, including executives, are eligible to receive awards. NI s President does not participate in the program. Under this program, awards are made in recognition of a special achievement by the employee. Awards under this program have ranged between \$100 to almost \$12,000 per award. The average award under the discretionary cash performance program in 2010 for employees was approximately \$1,118. The purpose of this program is to award a specific accomplishment that is not covered by NI s other compensation programs. The amount of the award for executives is determined by NI s President and the amount of the award for non-executive employees is determined by the departmental supervisors.

During 2010, none of the named executives received an award under this program.

***Restricted Stock Unit (RSU) Awards***

***Determining the Overall Level of Equity Compensation Awards.*** NI uses equity compensation to incentivize a significant number of its employees. In 2010, 16.2% of all U.S. based regular, full-time professional employees received equity based compensation. NI's use of stock based equity compensation for its employees is driven by NI's goal of aligning the long-term interests of its employees with its overall performance and the interests of its stockholders. NI's equity compensation program is also driven by NI's desire to be sensitive to the dilutive impact that such equity compensation will have on its stockholders.

***Allocation of Equity Compensation Awards.*** In 2010, NI granted a total of 294,024 RSUs to all employees, which represented 0.2% of NI's shares outstanding at December 31, 2010. Of such amount, no RSUs were granted to NI's named executives in 2010. If RSUs are granted to executives, the RSUs vest over a period of ten years, subject to acceleration based on NI's performance.

A set formula for allocating RSUs to the executives as a group or to any particular executive is not utilized. Instead, the Compensation Committee exercises its judgment and discretion and considers, among other things, the role and responsibility of the executive, competitive factors, the amount of stock based equity compensation already held by the executive, the non-equity compensation received by the executive and the total number of RSUs to be granted to all participants during the year.

***Timing of Equity Awards.*** The Compensation Committee typically grants RSUs to executives and current employees once per year. Such grants are made at a meeting of the Compensation Committee held in the second quarter of the year. RSU grants to new employees were issued eight times in 2010 at Compensation Committee meetings. NI does not have any program, plan or practice to time RSU grants in coordination with the release of material non-public information. NI does not time, nor does NI plan to time, the release of material non-public information for the purposes of affecting the value of executive compensation.

***Executive Equity Ownership.*** NI's President and Chief Executive Officer, Dr. Truchard, is NI's largest stockholder. NI encourages its executives to hold a significant equity interest in NI. However, NI does not have specific share retention and ownership guidelines for its executives. NI does not permit executives to sell short its stock. NI prohibits named executives from holding NI stock in a margin account and prohibits the purchase or sale of exchange traded options on its stock by executives.

***Type of Equity Awards.*** Prior to 2005, the long-term equity incentive component of NI's compensation program consisted solely of stock options. Beginning in 2005, NI began to utilize RSUs as its principal equity compensation incentive. Under the 2010 Incentive Plan, NI is permitted to issue RSUs and restricted stock but not stock options.

***Service Award Program***

NI maintains a service award bonus program under which all employees, including executives, are eligible to receive awards based on the number of years of continued employment with NI. NI's President does not participate in the program. Under this program, upon achieving a five-year period of continuous employment with NI, an employee receives a cash award and a \$100 dinner gift certificate, as well as other non-monetary awards such as plaque or lunch with NI's President, Vice President of Human Resources or another NI executive. Awards under this program have historically been in the



range of \$100 to \$1,000 in cash per award, with employees receiving \$100 in cash at their 5<sup>th</sup> anniversary of service with NI and \$1,000 in cash at their 10<sup>th</sup>, 15<sup>th</sup>, 20<sup>th</sup> and 25<sup>th</sup> anniversaries of service with NI.

During 2010, one of the named executives, Mr. Zogas, received an award of \$1,000 under this program for having reached 25 years of employment with NI.

#### **Performance Based Compensation and Financial Restatement**

To date, NI has not experienced a financial restatement and has not considered or implemented a policy regarding retroactive adjustments to any cash or equity based incentive compensation paid to its executives and other employees where such payments were predicated upon the achievement of certain financial results that would subsequently be the subject of a restatement.

#### **Change of Control Considerations**

All NI executives are employed at will and do not have employment agreements, severance payment arrangements or payment arrangements that would be triggered by a merger or other change of control of NI. However, NI's Amended and Restated 1994 Incentive Plan, 2005 Incentive Plan and 2010 Incentive Plan provide that in the event of a change of control of NI, all unvested RSUs and stock options held by executive and non-executive employees shall immediately vest in full.

#### **Effect of Accounting and Tax Treatment on Compensation Decisions**

In the review and establishment of NI's compensation programs, NI considers the anticipated accounting and tax implications to NI and its executives. In this regard, in 2005, the NI Board of Directors and Compensation Committee determined to change NI's equity compensation program from the use of stock options to the use of RSUs in response to changes in the accounting treatment of equity awards under FASB ASC 718, Compensation - Stock Compensation (FASB ASC 718). While NI considers the applicable accounting and tax treatment, these factors alone are not dispositive, and NI also considers the cash and non-cash impact of the programs and whether a program is consistent with NI's overall compensation philosophy and objectives.

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), imposes a limit of \$1 million on the amount of compensation that NI may deduct in any one year with respect to its named executive officers, unless certain criteria are satisfied. Performance-based compensation, as defined in the Code, is fully deductible if the programs are approved by stockholders and meet other requirements. NI believes that grants of RSUs under its 2005 Incentive Plan and 2010 Incentive Plan that vest solely based on the passage of time do not qualify as performance-based for purposes of satisfying the conditions of Section 162(m). NI notes that in 2010, none of its named executive officers received compensation in excess of the Section 162(m) limit. In general, NI has determined that it will not seek to limit executive compensation so that it is deductible under Section 162(m). However, from time to time, NI monitors whether it might be in its interests to structure its compensation programs to satisfy the requirements of Section 162(m). NI seeks to maintain flexibility in compensating its executives in a manner designed to promote its corporate goals and therefore the Compensation Committee has not adopted a policy requiring all compensation to be deductible. The Compensation Committee will continue to assess the impact of Section 162(m) on NI's compensation practices and determine what further action, if any, is appropriate.

**Role of Executives in Executive Compensation Decisions**

The Compensation Committee seeks input from NI's President and Chief Executive Officer, Dr. Truchard, when discussing the performance of, and compensation levels for executives other than himself. The Compensation Committee also works closely with Dr. Truchard and with NI's vice president of human resources and others, as required, in evaluating the financial, accounting, tax and retention implications of its various compensation programs. Neither Dr. Truchard nor any of NI's other executives participates in deliberations relating to his own compensation.

**COMPENSATION COMMITTEE REPORT\***

The Compensation Committee of NI has reviewed and discussed the Compensation Discussion and Analysis required by Regulation S-K Item 402(b) (the CD&A ) with management and based upon such review and discussion, the Compensation Committee recommended to the Board of Directors that the CD&A be included in this Proxy Statement.

Respectfully Submitted,

Duy-Loan T. Le

Charles J. Roesslein

John M. Berra

*\* The foregoing Compensation Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other NI filing under the Securities Act or the Exchange Act, except to the extent that NI specifically incorporates this Compensation Committee Report by express reference therein.*

### Summary Compensation Table

The following table shows the total compensation paid by NI during the years ended December 31, 2010, December 31, 2009, and December 31, 2008 to its named executives:

Name and Principal Position	Year	Salary	Bonus (1)	Stock Awards (2)	Option Awards	Non-Equity Incentive Plan Compensation (3)	All Other Compensation (4)	Total
James J. Truchard (5) Chairman of the Board	2010	\$ 148,333	\$	\$	\$	\$ 39,753	\$ 4,643	\$ 192,729
	2009	182,500					7,962	190,462
and President	2008	200,000				131,900	6,240	338,140
Alexander M. Davern Chief Operating Officer, Executive Vice President, Chief Financial Officer; and Treasurer	2010	334,792				153,099	7,560	495,451
	2009	296,562	1,000	522,750		72,169	7,650	900,131
	2008	310,000		284,900		219,025	7,366	821,291
Peter Zogas, Jr. Senior Vice President, Sales and Marketing	2010	243,708	1,000			221,428	7,560	473,696
	2009	223,562		156,825		83,779	7,650	471,816
	2008	235,250		284,900		267,190	7,519	794,859
Phillip D. Hester Senior Vice President, Research and Development	2010	318,750				170,711	210	489,671
	2009	10,904		888,900			13.08	899,817
John M. Graff Vice President, Sales and Marketing, Americas	2010	247,833				124,154	7,560	379,547
	2009	237,250		83,640		37,741	7,402	366,033
	2008	252,500		170,940		167,564	7,500	598,504

- (1) These amounts reflect cash payments under NI's discretionary cash bonus program and service award program. See Compensation Discussion and Analysis for a description of these programs. In 2010, Mr. Zogas received \$1,000 under the service award program for having reached 25 years of employment with NI. In 2009, Mr. Davern received \$1,000 under the service award program for having reached 15 years of employment with NI.
- (2) The amounts included in the table for stock awards is the dollar amount recognized for financial statement reporting purposes with respect to the applicable fiscal year in accordance with FASB ASC 718. These dollar amounts reflect NI's accounting expense for these stock awards and may not correspond to the actual value that will be recognized by the named executives. The dollar amount recognized for financial statement reporting purposes is the aggregate grant date fair value, which is expensed monthly based on the estimated vesting period of the corresponding grant. The estimated vesting period of grants of RSUs to named executive officers is 95 months.
- (3) These amounts reflect the sum of the amounts paid to named executives under NI's Annual Company Performance Bonus Program and AIP for 2010, 2009 and 2008, as shown in the table below. Dr. Truchard's total only includes amounts from NI's Annual Performance Bonus Program. The totals for Mr. Zogas and Mr. Graff also include amounts from the Sales Commission Program in which they are the only participants among the named executives. The amounts paid under the Long Term Incentive Program were for 2008 only as the program is no longer active.

Named Executive Officer	Year	Annual Performance Bonus Program	AIP	Long Term Incentive Program	Sales Commission Program	Total
James J. Truchard	2010	\$ 39,753	\$	\$	\$	\$ 39,753
	2009					
	2008	16,700		115,200		131,900
Alexander M. Davern	2010	89,724	63,375			153,099
	2009		72,169			72,169
	2008	25,885	54,900	138,240		219,025
Peter Zogas, Jr.	2010	86,226	57,171		78,031	221,428
	2009		50,105		33,674	83,779
	2008	23,396	66,373	132,480	44,941	267,190
Phillip D. Hester	2010	85,425	85,286			170,711
	2009					
	2008					
John M. Graff	2010	70,104	40,300		13,750	124,154
	2009		37,741			37,741
	2008	21,084	34,160	112,320		167,564

- (4) Represents NI contributions to the 401(k) Plan on behalf of the named executives and the full dollar value of premiums paid by NI for term life insurance on behalf of the named executives for 2010, 2009 and 2008 in the amounts shown below:

Named Executive Officer	Year	NI Contributions to 401(k) Plan	Term Life Insurance Premium Paid by NI for Benefit of the Insured	Total
James J. Truchard	2010	\$ 4,518	\$ 125	\$ 4,643
	2009	5,475	219	5,694
	2008	6,000	240	6,240
Alexander M. Davern	2010	7,350	210	7,560
	2009	7,350	300	7,650
	2008	7,066	300	7,366
Peter Zogas, Jr.	2010	7,350	210	7,560
	2009	7,350	300	7,650
	2008	7,237	282	7,519
Phillip D. Hester	2010		210	210
	2009		13	13
	2008			
John M. Graff	2010	7,350	210	7,560
	2009	7,117	285	7,402
	2008	7,200	300	7,500

Other than the foregoing for 2008, 2009 and 2010, NI did not provide its named executives with any form of compensation that would be reportable under Item 402(c)(2)(ix) of Regulation S-K. NI does not pay or accrue cash dividends on unvested RSUs.

- (5) As an employee director, Dr. Truchard does not receive any additional compensation for his service as a director.

## Grants of Plan-Based Awards

For Fiscal Year Ended December 31, 2010

Name	Grant Date (1)	Threshold (2)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares of Stock or Units (5)	Aggregate Grant Date Fair Value of Stock and Option Awards
			Target (3)	Maximum (4)		
<b>James J. Truchard (6)</b>						
Annual Performance Bonus Program			\$ 39,753	\$		\$
<b>Alexander M. Davern</b>						
Annual Incentive Program			63,375	97,500		
Annual Performance Bonus Program			89,724			
2010 Incentive Plan						
<b>Peter Zogas, Jr.</b>						
Annual Incentive Program			57,171	88,500		
Annual Performance Bonus Program			86,226			
Sales Commission Program (7)			78,031			
2010 Incentive Plan						
<b>Phillip D. Hester</b>						
Annual Incentive Program			85,286	94,500		
Annual Performance Bonus Program			85,425			
2010 Incentive Plan						
<b>John M. Graff</b>						
Annual Incentive Program			40,300	52,000		
Annual Performance Bonus Program			70,104			
Sales Commission Program (7)			13,750			
2010 Incentive Plan						

- (1) In accordance with Item 402(d)(2)(ii) of Regulation S-K, only grant dates for equity-based awards are reported in this table.
- (2) The AIP, the Annual Performance Bonus Program and Sale Commission Program do not set a threshold amount. See Compensation Discussion and Analysis for a description of these programs.
- (3) The AIP and the Annual Performance Bonus Program did not set target amounts. See Compensation Discussion and Analysis for a further description of these programs. In accordance with Instruction 2 to Item 402(d) of Regulation S-K, the amounts included under the Target column represent the amounts earned in the fiscal year ended December 31, 2010 by the named executive under the AIP and the Annual Performance Bonus Program, as applicable.
- (4) The Annual Performance Bonus Program does not set maximum amounts. See Compensation Discussion and Analysis for a further description of this program. The maximum amount under the AIP for Mr. Davern was determined by multiplying 0.30 by his base salary, effective as of February 1, 2010, of \$325,000. The maximum amount under the AIP for Mr. Zogas was determined by multiplying 0.30 by the sum of his base salary and commission target, effective as of February 1, 2010, which totaled \$295,000. The maximum amount under the AIP for Mr. Hester was determined by multiplying 0.30 by his base salary, effective as of February 1, 2010, of \$315,000. The maximum amount under the AIP for Mr. Graff was determined by multiplying 0.20 by his base salary, effective as of February 1, 2010, of \$260,000. See Compensation Discussion and Analysis for a further description of the AIP.

- (5) There were no RSUs granted to the named executives in 2010.
- (6) Dr. Truchard does not participate in the AIP and does not receive grants of RSUs under the 2005 Incentive Plan or the 2010 Incentive Plan.
- (7) The Sales Commission Programs for Mr. Zogas and Mr. Graff do not include thresholds or maximum amounts. See Compensation Discussion and Analysis for a further description of these programs.

**Summary Compensation Table and Grants of Plan-Based Awards Table Discussion**

The level of salary and bonus in proportion to total compensation ranged from approximately 51% to 67% for each of the named executives in 2010, except for Dr. Truchard. Since Dr. Truchard does not receive RSU awards and has never received any grants of stock options by NI, his salary and bonus represented approximately 76% of his total compensation in 2010.

All NI employees, including executives, are employed at will and do not have employment agreements, severance payment arrangements or other payment arrangements that would be triggered by a merger or other change of control of NI. However, NI's 2010 Incentive Plan, NI's 2005 Incentive Plan and Amended and Restated 1994 Incentive Plan provide that in the event of a change of control of NI, all unvested RSUs and stock options held by executive and non-executive employees shall immediately vest in full.

NI has not repriced any stock options or made any material modifications to any equity-based awards to its executive officers.

**Outstanding Equity Awards at Fiscal 2010 Year-End**

Named Executive Officer	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (1)	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (2)	Market Value of Shares or Units That Have Not Vested (3)
James J. Truchard			\$			
Alexander M. Davern	14,536		14.0278	03/21/2011		
	16,392	1,608	13.4133	04/16/2013		
	24,171	5,829	19.9000	03/24/2014		
					75,224	\$ 1,887,370
Peter Zogas, Jr.	22,499		14.0278	03/21/2011		
	16,392	1,608	13.4133	04/16/2013		
	24,171	5,829	19.9000	03/24/2014		
					51,599	1,294,619
Phillip D. Hester					45,000	1,129,050
John M. Graff	10,240	1,009	13.4133	04/16/2013		
	12,086	2,914	19.9000	03/24/2014		
					27,305	685,082

- (1) These options were granted under the Amended and Restated 1994 Incentive Plan, which terminated in May 2005 except with respect to outstanding awards. These options vest as to 1/120th of the award on each monthly anniversary of the vesting commencement date, subject to acceleration based upon NI's financial performance. The maximum amount of accelerated vesting per year based on NI's financial performance is 10% of the total number of shares subject to the option. The actual number of shares subject to the option that can be accelerated each year based on NI's financial performance is determined based upon the year over year percentage revenue growth and the percentage operating profit as a percent of revenue. To achieve the maximum of 10% option acceleration, NI would have to achieve 40% year over year revenue growth and 18% operating profit as a percent of revenue. The earliest an award may fully vest is in five years. The vesting commencement dates for these awards are set forth in the table below.

Named Executive Officer	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Vesting Commencement Date
Alexander M. Davern	14,536		\$ 14.0278	03/21/2001
	16,392	1,608	13.4133	04/16/2003
	24,171	5,829	19.9000	03/24/2004
Peter Zogas, Jr.	22,499		14.0278	03/21/2001
	16,392	1,608	13.4133	04/16/2003
	24,171	5,829	19.9000	03/24/2004
Phillip D. Hester				
John M. Graff	10,240	1,009	13.4133	04/16/2003
	12,086	2,914	19.9000	03/24/2004

- (2) These RSU awards were made under the 2005 Incentive Plan and vest as to 1/10th of the RSUs on each anniversary of the vesting commencement date, subject to acceleration of vesting in the event that NI achieves certain financial performance goals. The maximum amount of vesting acceleration is an additional 10% of the award per year. The number of RSUs that can have vesting acceleration each year is determined based upon the extent to which NI attains 40% year over year revenue growth and 18% operating profit as a percent of revenue. Specifically, if NI achieves 40% year over year revenue growth and 18% operating profit as a percent of revenue, then 10% of the total number of RSUs subject to the award shall accelerate. The earliest an award may fully vest is in five years. The RSUs have a term of ten years. The vesting commencement dates for these awards are set forth in the table below.

Named Executive Officer	Number of Shares or Units of Stock That Have Not Vested	Grant Date	Vesting Commencement Date
Alexander M. Davern	33,750	4/22/2009	5/1/2009
	11,687	4/25/2008	5/1/2008
	9,768	4/25/2007	5/1/2007
	7,842	4/19/2006	5/1/2006
	12,177	5/10/2005	5/1/2005
Peter Zogas, Jr.	10,125	4/22/2009	5/1/2009
	11,687	4/25/2008	5/1/2008
	9,768	4/25/2007	5/1/2007
	7,842	4/19/2006	5/1/2006
	12,177	5/10/2005	5/1/2005
Phillip D. Hester	45,000	12/16/2009	5/1/2009
John M. Graff	5,400	4/22/2009	5/1/2009
	7,013	4/25/2008	5/1/2008
	4,884	4/25/2007	5/1/2007
	3,921	4/19/2006	5/1/2006
	6,087	5/10/2005	5/1/2005



(3) Amounts shown are valued at the closing price of NI's Common Stock on December 31, 2010 of \$25.09 per share.

**Option Exercises and Stock Vested****For Fiscal Year Ended December 31, 2010**

Named Executive Officer	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise (1)	Number of Shares Acquired on Vesting	Value Realized on Vesting (2)
James J. Truchard		\$		\$
Alexander M. Davern	176,713	142,632	11,250	259,350
Peter Zogas, Jr	45,000	45,201	8,625	198,835
Phillip D. Hester				
John M. Graff	67,500	255,919	4,500	103,740

- (1) These amounts equal the difference between the market price of the underlying securities at exercise and the exercise price of the options.  
(2) Calculated by using the NI common stock closing price for the day immediately preceding the vesting date of May 3, 2010, which was \$23.05 per share.

**Pension Benefits and Nonqualified Deferred Compensation**

NI does not have any pension plans, non-qualified defined contribution plans or non-qualified deferred compensation plans.

**Potential Payments Upon Termination or Change of Control**

As described in the Compensation Discussion and Analysis, NI does not have employment, severance or change in control agreements with its employees, including its named executives. However, NI's Amended and Restated 1994 Incentive Plan, 2005 Incentive Plan and 2010 Incentive Plan each provides for acceleration of all unvested stock options and RSUs, respectively, in the event of a change of control of NI or the award recipient's death or disability (each, an acceleration event). A change of control under each of the Amended and Restated 1994 Incentive Plan, 2005 Incentive Plan and 2010 Incentive Plan means any of the following events:

any person becomes the beneficial owner of fifty percent (50%) or more of the total voting power represented by NI's outstanding voting securities;

existing members of NI's Board of Directors cease to constitute at least a majority of the Board of Directors;

a public announcement is made of a tender or exchange offer for fifty percent (50%) or more of the outstanding voting securities of the Company;

the stockholders of NI approve a merger or consolidation of NI with any other corporation or partnership, unless NI stockholders prior to such transaction will hold a majority of the voting power of the surviving or acquiring entity; or

the stockholders of NI approve a plan of complete liquidation of NI or an agreement for the sale or disposition by NI of all or substantially all of NI's assets.

In the case of disability, unvested stock options under the Amended and Restated 1994 Incentive Plan may only be exercised within the six-month period following the date of disability and any award not exercised before the expiration of such period shall terminate. Unless an optionee's legal representatives, heirs, legatees or distributee exercise outstanding awards issued under the Amended and Restated 1994 Incentive Plan in the six-month period following the date of such optionee's death, any unexercised awards shall terminate upon the expiration of such six-month period.

In the case of unvested RSUs under the 2005 Incentive Plan and the 2010 Incentive Plan, 100% of the RSUs that have not vested as of the date of death or disability will immediately vest.

The following table shows the estimated benefits that would have been received by the named executives if an acceleration event had occurred on December 31, 2010.

Name	Stock Option Acceleration (1)	RSU Acceleration (2)	Total
James J. Truchard (3)		\$	\$
Alexander M. Davern	526,681	1,887,370	2,414,051
Peter Zogas, Jr	614,769	1,294,619	1,909,388
Phillip D. Hester		1,129,050	1,129,050
John M. Graff	209,201	685,082	894,283

(1) In calculating estimated benefits from acceleration of outstanding stock option awards, NI assumed each named executive exercised all in-the-money options at \$25.09 per share (the closing market price for NI's common stock on December 31, 2010). If the exercise price for an option is above the quoted closing price of NI common stock, it has a zero value for the purpose of calculating the estimate benefit to the named executive.

(2) The amounts represent the number of unvested RSUs multiplied by per share closing market price of NI's common stock on December 31, 2010, which was \$25.09 per share for each of the outstanding unvested RSUs held by such named executive.

(3) Dr. Truchard has not received any stock options under the Amended and Restated 1994 Incentive Plan and did not receive grants of RSUs under the 2005 Incentive Plan or the 2010 Incentive Plan.

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires NI's officers and directors, and persons who own more than 10% of a registered class of NI's equity securities, to file reports of ownership on Form 3 and changes in ownership on Form 4 or Form 5 with the SEC. Such officers, directors and 10% stockholders are also required by SEC rules to furnish NI with copies of all Section 16(a) forms they file. Based solely on its review of the copies of such forms received by it, NI believes that, during the fiscal year ended December 31, 2010, all Section 16(a) filing requirements applicable to its officers, directors and 10% stockholders were satisfied except that Jeffrey L. Kodosky filed one late Form 4 with respect to one transaction.

**EQUITY COMPENSATION PLANS INFORMATION**

The number of shares issuable upon exercise of outstanding options and RSUs granted to employees and non-employee directors, as well as the number of shares remaining available for future issuance, under NI's equity compensation plans as of December 31, 2010 are summarized in the following table:

<b>Plan category</b>	<b>Number of shares to be issued upon exercise of outstanding options or RSUs</b>	<b>Weighted-average exercise price of outstanding options</b>	<b>Number of shares remaining for future issuance under equity compensation plans</b>
Equity compensation plans approved by stockholders	5,329,753 (1)	\$ 17.1459	7,948,624 (2)
Equity compensation plans not approved by stockholders			
<b>Total</b>	<b>5,329,753</b>	<b>\$ 17.1459</b>	<b>7,948,624</b>

- (1) Includes 2,334,020 shares to be issued upon exercise of outstanding options and 2,995,733 shares to be issued upon the vesting of outstanding RSUs.
- (2) Includes 6,313,097 shares available for future issuance under NI's 2010 Incentive Plan and 1,635,527 shares available for future issuance under NI's Employee Stock Purchase Plan.

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**REPORT OF THE AUDIT COMMITTEE\***

The Audit Committee is composed of three independent directors and operates under a written charter adopted by the Board of Directors. The members of the Audit Committee are Donald M. Carlton, Chairman, Duy-Loan T. Le, Charles J. Roesslein, and John M. Berra. All members of the Audit Committee meet the independence requirements of the Nasdaq listing standards.

Management is responsible for NI's internal controls and the financial reporting process. NI's independent registered public accounting firm is responsible for performing an independent audit of NI's consolidated financial statements in accordance with standards of the Public Company Accounting Oversight Board (United States) and for issuing opinions on the conformity of those audited financial statements with U.S. generally accepted accounting principles and the effectiveness of NI's internal control over financial reporting. The Audit Committee's responsibility is to monitor and oversee these processes.

The Audit Committee schedules its meetings and conference calls with a view to ensuring it devotes appropriate attention to all of its tasks. The Audit Committee met 8 times during fiscal 2010 to carry out its responsibilities. The Audit Committee regularly meets privately with NI's independent registered public accounting firm, internal audit personnel, and management, each of whom has unrestricted access to the Audit Committee. The Audit Committee evaluated the performance of the items enumerated in the Audit Committee Charter.

As part of its oversight of NI's financial statements, the Audit Committee reviewed and discussed with both management and the independent registered public accounting firm NI's quarterly and audited fiscal year financial statements, including a review of NI's Annual Report on Form 10-K. The Audit Committee also reviewed and approved the independent registered public accounting firm's work plan, audit fees, and all non-audit services performed by the independent registered public accounting firm. The Audit Committee also discussed with the independent registered public accounting firm any matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended.

The Audit Committee has also received the written disclosures from Ernst & Young LLP required by PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, and the Audit Committee has discussed the independence of Ernst & Young LLP with that firm. The Audit Committee has implemented a procedure to monitor the independence of NI's independent registered public accounting firm.

Based upon the Audit Committee's discussion with management and Ernst & Young LLP and the report of Ernst & Young LLP to the Audit Committee, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in NI's Annual Report on Form 10-K for the year ended December 31, 2010, which was filed with the SEC.

**AUDIT COMMITTEE**

Donald M. Carlton, Chairman

Charles J. Roesslein

Duy-Loan T. Le

John M. Berra

*\*The foregoing Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other NI filing under the Securities Act or the Exchange Act, except to the extent NI specifically incorporates this Report of the Audit Committee by express reference therein.*

**PROPOSAL TWO:**

**APPROVAL OF AMENDMENT TO 1994 EMPLOYEE STOCK PURCHASE PLAN**

NI is asking its stockholders to approve a proposed amendment to the company's 1994 Employee Stock Purchase Plan (the "ESPP") to increase the number of shares of common stock reserved for issuance thereunder by 3,000,000 shares. Since the adoption of the ESPP in May 1994 and prior to the proposed amendment, a total of 12,701,250 shares of common stock have been reserved for issuance under the ESPP. As of the Record Date, 1,390,004 shares remained available for future issuance under the ESPP. On January 21, 2011, the Board of Directors approved the addition of 3,000,000 shares to the ESPP, subject to approval by the stockholders.

The ESPP is intended to promote the best interests of NI and its stockholders by providing eligible employees with the opportunity to become stockholders by purchasing NI common stock through payroll deductions. NI's Board of Directors believes that the ESPP encourages employees to remain employed with NI and aligns the collective interests of NI's employees with those of NI's stockholders. NI's continued success depends upon its ability to attract and retain talented employees. Equity incentives are necessary for NI to remain competitive in the marketplace to qualified personnel, and an employee stock purchase plan is a key element of NI's equity incentive package.

Based on the number of shares issued under the ESPP during recent offering periods, the Board of Directors believes that the shares remaining in the ESPP are insufficient to meet the estimated participation levels for upcoming offering periods unless more shares are added to the ESPP. Also, it is critical that the ESPP have sufficient shares at the start of each three-month period to meet the purchase requirements of the entire three-month period in order to avoid potential adverse accounting consequences and allow the ESPP program to continue uninterrupted.

The following summary of the principal terms of the ESPP is qualified in its entirety by reference to the full text of the plan which is attached hereto as Exhibit B.

*Purpose.* The purpose of the ESPP is to provide a method whereby employees of NI and certain of its subsidiary corporations will have an opportunity to acquire a proprietary interest in NI through the purchase of shares of NI common stock.

*General.* The ESPP, which is qualified under Section 423 of the Code, is implemented by successive three-month offering periods. The ESPP operates by eligible employees electing to have a portion of their regular compensation deducted from each paycheck. The payroll deductions are accumulated over a period of approximately three-months known as an offering period. On the first business day after the end of each offering period, accumulated payroll deductions are automatically used to purchase shares of NI's common stock. The purchase price for the shares is equal to the lower of (a) 85% of the fair market value of the common stock on the date of commencement of the three-month offering period or (b) 85% of the fair market value of the common stock on the last day of the offering period. The ESPP is described in more detail below. The fair market value of the common stock on a given date will be determined by the Administrator (as defined below) in a manner consistent with the ESPP and the Code. The closing price per share of NI common stock on the Record Date was \$30.43.

*Administration.* The ESPP may be administered by the Board of Directors or a committee of the Board of Directors. The ESPP is presently being administered by the Compensation Committee.

The term *Administrator* means whichever of the Board or the Compensation Committee is then administering the ESPP. All questions of interpretation of the ESPP are determined by the Administrator, whose decisions are final and binding upon all participants.

*Eligibility.* Employees are eligible to participate in the ESPP if they are regular employees of NI or a designated subsidiary, as defined below, scheduled to work at least twenty (20) hours per week (unless otherwise required by local law), have been an employee for at least one day prior to an offering period and are not scheduled to work less than five (5) months in a calendar year (unless otherwise required by local law). A designated subsidiary is a subsidiary which has been designated from time to time by the Administrator as eligible to participate in the ESPP. As of January 31, 2011, the closing date of the last offering period, 3,650 employees were eligible to participate in the ESPP, and 2,285 of these employees were participants.

*Payment of Purchase Price; Payroll Deductions.* The purchase price of the shares is accumulated by payroll deductions during the offering period. The deductions may not exceed 15% of a participant's eligible compensation, which is defined in the ESPP to include the regular straight-time earnings of the participant (plus such employee's sales commissions, if applicable), but exclusive of any payments for overtime, bonuses, special payments, other incentive compensation and any automobile or expense allowable or reimbursement.

A participant may discontinue his or her participation in the ESPP at any time during the offering period. Payroll deductions commence on the first payday following the offering date, and continue at the same rate until the end of the offering period unless a participant withdraws from participation in the ESPP.

*Changes in Participation Levels.* A participant's level of payroll deduction with respect to an offering period is initially set by the participant completing, signing and submitting a subscription agreement specifying the rate of payroll deduction up to 15% of the employee's gross earnings. A subscription agreement shall remain in effect for successive offering periods unless (i) a new subscription agreement is completed, signed and submitted during the enrollment period for a future offering period or (ii) a participant withdraws from participation in the ESPP. Unless the Administrator determines otherwise, a participant's payroll deduction level may not be changed for a particular offering period once that offering period has commenced. The level can be changed for future offering periods by completing, signing and submitting a new subscription agreement during the enrollment period for the first such future offering period for which the revised payroll deduction rate is intended to apply.

*Purchase of Stock; Exercise of Option.* The maximum number of shares placed under option for a participant in an offering period is equal to the number determined by dividing the amount of the participant's total payroll deductions to be accumulated during the offering period by the purchase price per share, as determined in the manner described above. Unless a participant withdraws from the ESPP, such participant's option for the purchase of shares will be exercised automatically at the end of the offering period for up to the maximum number of shares, as described below, at the purchase price.

Notwithstanding the foregoing, no participant will be permitted to subscribe for shares under the ESPP if immediately after the grant of the option, such participant would own stock and/or hold outstanding options to purchase stock possessing 5% or more of the total combined voting power or value of all classes of stock of NI, nor shall any participant be granted an option which would permit the employee to buy more than \$25,000 worth of common stock (based on the fair market value of the common stock at the time the right is granted) in any calendar year pursuant to the ESPP.

*Withdrawal.* A participant's interest in a given offering may be terminated in whole, but not in part, by signing and delivering to NI a notice of withdrawal from the ESPP. Such withdrawal may be elected at any time prior to the end of the applicable offering period. Any withdrawal by the participant of accumulated payroll deductions for a given offering automatically terminates the participant's interest in that offering. In addition, the failure to remain in the continuous employment of NI or a designated subsidiary for at least (20) hours per week during an offering period will be deemed to be a withdrawal from that offering. However, if a participant continues to be employed by a subsidiary of NI following termination of employment with NI or a designated subsidiary such participant will not be deemed to have withdrawn, although the participant will not be allowed to continue making contributions during the applicable offering period or be eligible to participate in the ESPP in any subsequent offering period unless the applicable subsidiary is a designated subsidiary. Any participant who terminates his or her participation in the ESPP will not be allowed to participate in the ESPP for the following offering period.

*Termination of Employment.* Upon a termination of a participant's employment with NI or designated subsidiary for any reason, including retirement or death, or a continuation of a leave of absence for a period beyond three (3) months or, if applicable, such later day as of which such person's reemployment is guaranteed by contract or statute and referred to as the guaranteed reemployment date, such participant's participation in the ESPP will terminate and all funds accumulated in the participant's account will be returned to him or her or, in the case of death, to the person or persons entitled to such funds.

*Adjustment Upon Changes in Capitalization.* In the event any change is made in NI's capitalization, such as a stock split or stock dividend, which results in an increase or decrease in the number of outstanding shares of common stock, appropriate adjustments will be made by the Administrator to the number of shares subject to purchase under the ESPP and in the purchase price per share.

*Amendment and Termination of the Plan.* The Board may at any time amend or terminate the ESPP, except that no such amendment or termination shall affect options previously granted if it would adversely affect the rights of any participant. In addition, no amendment may be made to the ESPP without the prior approval of the stockholders of NI if such amendment would increase or decrease the number of shares reserved under the ESPP, materially modify the eligibility requirements of the ESPP or materially increase the benefits which may accrue under the ESPP.

*Federal Tax Information for ESPP.* Since our stockholders have approved the ESPP, the ESPP, and the right of participants to make purchases thereunder, qualify for treatment under the provisions of Internal Revenue Code Sections 421 and 423. Under these provisions, no income will be taxable to a participant until the shares purchased under the ESPP are sold or otherwise disposed of. Upon sale or other disposition of the shares, the participant will generally be subject to tax and the amount of the tax will depend upon the holding period. If the shares are sold or otherwise disposed of more than two years from the date of the option grant and more than one year from the applicable purchase date, then the participant generally will recognize ordinary income measured as the lesser of

the excess of the fair market value of the shares at the time of such sale or disposition over the purchase price, or

an amount equal to 15% of the fair market value of the shares as of the date of the option grant. Any additional gain should be treated as long-term capital gain.



If the shares are sold or otherwise disposed of before the expiration of this holding period, the participant will recognize ordinary income generally measured as the excess of the fair market value of the shares on the date the shares are purchased over the purchase price. Any additional gain or loss on such sale or disposition will be long-term or short-term capital gain or loss, depending on the holding period.

NI is not entitled to a deduction for amounts taxed as ordinary income or capital gain to a participant except to the extent ordinary income is recognized by a participant upon a sale or disposition of shares prior to the expiration of the holding period(s) described above. In all other cases, no deduction is allowed to NI.

The foregoing discussion is not intended to cover all tax consequences of participation in the ESPP. The tax consequences outlined above apply only with respect to an employee whose income is subject to United States federal income tax during the period beginning with the grant of an option and ending with the disposition of the common stock acquired through the exercise of the option. Different or additional rules may apply to individuals who are subject to income tax in a foreign jurisdiction and/or are subject to state/local income tax in the United States.

*ESPP Benefits.* Participation in the ESPP is voluntary. Because benefits under the ESPP depend on eligible employees' elections to participate and the fair market value of NI common stock on various future dates, NI is unable to predict the amount of benefits that will be received by or allocated to any particular participant under the ESPP. The following table sets forth the dollar amount and the number of shares purchased under the ESPP during the last fiscal year to (i) each of NI's named executives, (ii) all executive officers as a group, (iii) all non-employee directors as a group and (iv) all employees other than executive officers as a group.

**ESPP BENEFITS TABLE**

<b>Named Executive Officer or Group</b>	<b>Number of Shares</b>	<b>Value of Shares (1)</b>
James J. Truchard (2)		
Alexander M. Davern	1,621	\$ 35,102.26
Peter Zogas Jr.	1,903	40,896.52
Phillip D. Hester		
John M. Graff	1,238	26,737.61
All executive officers as a group	8,240	180,000.52
All non-employee directors as a group (3)		
All employees other than executive officers	1,001,358	21,833,292.42

- (1) The dollar value of shares purchased under the ESPP was computed by multiplying the number of shares purchased times the market price of the common stock on the purchase date. In accordance with the terms of the ESPP, the shares of common stock were purchased at a price equal to 85% of the lesser of the fair market value of the common stock on the first day of the offering period or the last day of the purchase period. The purchases set forth in the above table complied with the \$25,000 limitation under the ESPP as such limit is based on the fair market value of the common stock at the time the right to purchase is granted.
- (2) In accordance with the terms of the ESPP, Dr. Truchard is not permitted to subscribe for shares under the ESPP because he owns 5% or more of the total combined voting power or value of all classes of stock of NI.
- (3) Non-employee directors are not eligible to participate in the ESPP.  
NI's executive officers have an interest in this proposal as they may purchase shares under the ESPP.

**Vote Required; Recommendation of Board of Directors**

The affirmative vote of a majority of the votes cast on the proposal at the Annual Meeting will be required to approve this amendment of the ESPP. The Board of Directors has not determined what action it will take if the proposal is not approved by the stockholders.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDMENT OF THE 1994 EMPLOYEE STOCK PURCHASE PLAN.**

**PROPOSAL THREE:**

**RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The charter of our Audit Committee provides that the Audit Committee shall appoint, compensate, retain and oversee NI's independent registered public accounting firm. The Audit Committee has selected Ernst & Young LLP ( E&Y ) as NI's independent registered public accounting firm for the fiscal year ending December 31, 2011. The Audit Committee is asking the stockholders to ratify this appointment. The affirmative vote of a majority of the shares represented and voting at the Annual Meeting is required to ratify the selection of E&Y, which has served as NI's independent registered public accounting firm since June 2005.

In the event the stockholders fail to ratify the appointment, our Audit Committee will reconsider its selection. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interests of NI and NI's stockholders.

A representative of E&Y is expected to be available at the Annual Meeting to make a statement if such representative desires to do so and to respond to appropriate questions.

**INDEPENDENT PUBLIC ACCOUNTANTS**

**Audit Fees**

The aggregate fees billed for professional services rendered for the integrated audits of NI's annual financial statements for the fiscal years ended December 31, 2010 and 2009, for the reviews of the financial statements included in NI's Quarterly Reports on Form 10-Q for those fiscal years, for the testing of NI's internal control over financial reporting pursuant to Section 404(a) of the Sarbanes-Oxley Act of 2002 for those fiscal years, and for statutory audits in various countries were approximately \$1,145,018 and \$1,064,000, respectively.

**Audit-Related Fees**

The aggregate fees billed for other audit-related services were \$57,150 and \$45,000 in 2010 and 2009, respectively. The services rendered related to the audit of NI's benefit plans.

**Tax Fees**

The aggregate fees billed for professional tax services rendered for 2010 and 2009 were approximately \$120,514 and \$118,000, respectively. Included in the foregoing tax fees are such services as tax compliance, tax advice and tax planning.

**All Other Fees**

There were no fees billed for other services for 2010 or 2009.

**Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

The Audit Committee's policy is to pre-approve all services provided by NI's independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The Audit Committee may also pre-approve particular services on a case-by-case basis. The independent registered public accounting firm is required to periodically report to the Audit Committee regarding the extent of services provided by such firm in accordance with such pre-approval. The Audit Committee may also delegate pre-approval authority to one of its members. Such member(s) must report any decisions to the Audit Committee at the next scheduled meeting.

E&Y has not received approval to perform any prohibited activities as such term is defined in Section 201 of the Sarbanes Oxley Act of 2002. During 2010, the Audit Committee approved in advance all audit, audit-related, and tax services to be provided by E&Y.

**Vote Required; Recommendation of Board of Directors**

The affirmative vote of a majority of the votes cast on the proposal at the Annual Meeting is required to ratify the selection of E&Y as NI's independent registered public accounting firm.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF E&Y AS NI'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

**PROPOSAL FOUR:**

**APPROVAL OF EXECUTIVE COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the SEC's rules (commonly referred to as a "Say-on-Pay").

As described under the heading "Executive Compensation – Compensation Discussion and Analysis," our executive compensation programs are designed to attract, retain and motivate our named executive officers, who are critical to our success. We believe that the various elements of our executive compensation program work together to promote our goal of ensuring that total compensation should be related to both NI's performance and individual performance.

Stockholders are urged to read the "Compensation Discussion and Analysis" section of this Proxy Statement, beginning on page 18, which discusses how our executive compensation policies implement our compensation philosophy, and the "Compensation of Executive Officers" section of this Proxy Statement, which contains tabular information and narrative discussion about the compensation of our named executive officers, for additional details about our executive compensation programs, including information about fiscal 2010 compensation of our named executive officers. The Compensation Committee and the NI Board of Directors believe that these policies are effective in implementing our compensation philosophy and in achieving its goals.

We are asking our stockholders to indicate their support for our executive compensation as described in this Proxy Statement. This Say-on-Pay proposal gives our stockholders the opportunity to express their views on our named executive officers' compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we are asking our stockholders to approve, on an advisory basis, the compensation of the named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure.

The Say-on-Pay vote is advisory, and therefore not binding on NI, the Compensation Committee or our Board of Directors. However, our Board of Directors and our Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the named executive officer compensation as disclosed in this Proxy Statement, we will consider our stockholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

**Vote Required; Recommendation of Board of Directors**

The affirmative vote of a majority of the votes cast on the proposal at the Annual Meeting is required to approve NI's executive compensation program. Abstentions will have the same effect as a vote against this proposal.

**NI'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING FOR THE APPROVAL OF NI'S EXECUTIVE COMPENSATION PROGRAM, AS DESCRIBED IN THIS PROXY STATEMENT.**

**PROPOSAL FIVE:**

**APPROVAL OF FREQUENCY OF STOCKHOLDER VOTE ON EXECUTIVE COMPENSATION**

In connection with Proposal Four, the Dodd-Frank Act also requires that we include in this Proxy Statement a separate advisory (non-binding) stockholder vote to advise on how frequently we should seek a Say-on-Pay vote. By voting on this Proposal Five, stockholders may indicate whether they would prefer an advisory vote on executive officer compensation once every one, two, or three years.

Because NI's compensation programs include both short and long-term components, our Board of Directors believes that Say-on-Pay votes should be conducted every three years. You may cast your vote on your preferred voting frequency by choosing the option of one year, two years, three years or abstain from voting. Under SEC rules, we will be required to permit our stockholders to vote on the frequency of the Say-on-Pay vote at least once every six years.

**Vote Required; Recommendation of the Board of Directors**

The selection regarding the frequency of the stockholder vote on executive compensation receiving the highest number of FOR votes shall be approved. However, because this vote is advisory and not binding on the Board of Directors or NI in any way, the Board of Directors may decide that it is in the best interests of our stockholders and NI to hold an advisory vote on executive compensation more or less frequently than the option approved by our stockholders.

**NI'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE TO HOLD SAY-ON-PAY VOTES EVERY THREE YEARS (AS OPPOSED TO EVERY YEAR OR EVERY TWO YEARS).**

**CODE OF ETHICS**

In March 2004, NI's Board of Directors adopted a Code of Ethics ( Code ) that applies to all directors and employees, including NI's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Code incorporated several corporate policies which had been in effect since 1994. The Code is available on NI's website at [www.ni.com/nati/corporategovernance/code\\_of\\_ethics.htm](http://www.ni.com/nati/corporategovernance/code_of_ethics.htm). NI intends to disclose future amendments to provisions of the Code, or waivers of such provisions granted to executive officers, on NI's website within four business days following the date of such amendment or waiver.

**OTHER MATTERS**

NI knows of no other matters to be submitted at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy to vote the shares they represent as the Board of Directors may recommend.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ David G. Hugley

Secretary

Austin, Texas

March 31, 2011

COMPANIES FROM RADFORD SURVEY INFORMATION  
UTILIZED BY NATIONAL INSTRUMENTS CORPORATION

ACXIOM	HOT TOPIC
ADC	HUGHES NETWORK SYSTEMS
AKAMAI TECHNOLOGIES	ICF INTERNATIONAL
ALION SCIENCE AND TECHNOLOGY	IM FLASH TECHNOLOGIES
ALLSCRIPTS	INFINEON TECHNOLOGIES
ALTERA	INTEGRATED DEVICE TECHNOLOGY
AMERICAN MEDICAL SYSTEMS	INTERMEC
ARINC	INTERNATIONAL RECTIFIER
ARRIS GROUP	INTERSIL
ASML	INTUITIVE SURGICAL
AVIAT NETWORKS	ION GEOPHYSICAL
AVID TECHNOLOGY	JACK HENRY AND ASSOCIATES
CADENCE DESIGN SYSTEMS	JEPPESEN SANDERSON
CAE	KRONOS
CAMBRIDGE SILICON RADIO	L-1 IDENTITY SOLUTIONS
CHECK POINT SOFTWARE TECHNOLOGIES	L-3 COMMUNICATIONS/COMM SYSTEMS
	WEST
CIENA	LAIRD TECHNOLOGIES
COINSTAR	LAWRENCE LIVERMORE NAT L LAB
COMPUWARE	LAWSON SOFTWARE
CUBIC CORPORATION	LINEAR TECHNOLOGY
CYPRESS SEMICONDUCTOR	MENTOR GRAPHICS
DASSAULT SYSTEMES	MICROCHIP TECHNOLOGY
DISNEY INTERACTIVE MEDIA GROUP	MITEL NETWORKS
DOLBY LABORATORIES	MONSTER WORLDWIDE
DREAMWORKS ANIMATION	MULTI-FINELINE ELECTRONIX
EARTHLINK	NAVTEQ
EDWARDS LIFESCIENCES	NEC CORP OF AMERICA
EMDEON	NETGEAR
F5 NETWORKS	NOVELL
FEI COMPANY	NOVELLUS SYSTEMS
FINISAR	NUANCE COMMUNICATIONS
FLIR SYSTEMS	OCE NORTH AMERICA
FORSYTHE TECHNOLOGY	OMNIVISION TECHNOLOGIES
GENPACT	OPEN TEXT



GTECH  
HITACHI COMPUTER PROD-OK  
HITACHI HIGH TECHNOLOGIES AMERICA  
PLANTRONICS  
POLYCOM  
POWERWAVE TECHNOLOGIES  
QLOGIC  
QUANTUM  
QUEST SOFTWARE  
RCN  
REALNETWORKS

RED HAT  
RESMED  
RF MICRO DEVICES  
RTI INTERNATIONAL  
SALESFORCE.COM  
SAMSUNG AUSTIN SEMICONDUCTOR  
SAVVIS COMMUNICATIONS  
SEATTLE CHILDREN S  
SENSATA TECHNOLOGIES  
SENSUS USA  
SIERRA WIRELESS AMERICA  
SKYWORKS SOLUTIONS  
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SPACE SYSTEMS/LORAL  
STANLEY ASSOCIATES  
STARZ ENTERTAINMENT LLC  
STRYKER ENDOSCOPY  
SVB FINANCIAL GROUP  
SWIFT  
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ORBITZ WORLDWIDE  
PIXAR  
SYNOPSIS  
TAKE TWO INTERACTIVE SOFTWARE  
TEKTRONIX  
TELCORDIA TECHNOLOGIES  
TELESAT CANADA  
TERADYNE  
THALES  
THE JOHNS HOPKINS UNIVERSITY/APPLIED

PHYSICS LAB  
THE MITRE CORPORATION  
THE PMI GROUP  
THQ  
TIBCO SOFTWARE  
TRIMBLE NAVIGATION  
TRIQUINT SEMICONDUCTOR  
TW TELECOM  
UNDERWRITERS LABS  
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VERISIGN  
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WMS GAMING  
XEROX INTERNATIONAL PARTNERS  
XYRATEX INTERNATIONAL  
ZEBRA TECHNOLOGIES

**NATIONAL INSTRUMENTS CORPORATION**

**1994 EMPLOYEE STOCK PURCHASE PLAN**

(as amended by the Board of Directors on January 26, 2007 and on  
January 18, 2011, subject to stockholder approval)

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**NATIONAL INSTRUMENTS CORPORATION**

**1994 EMPLOYEE STOCK PURCHASE PLAN**

ARTICLE I

PURPOSE AND SHARES RESERVED FOR THE PLAN

Section 1.1 Purpose. The National Instruments Corporation 1994 Employee Stock Purchase Plan (the Plan ) is intended to provide a method whereby employees of National Instruments Corporation (the Company ) and its Designated Subsidiaries will have an opportunity to acquire a proprietary interest in the Company through the purchase of shares of the common stock of the Company ( Common Stock ). The Company intends the Plan to qualify as an employee stock purchase plan under section 424 of the Internal Revenue Code of 1986, as amended (the Code ). The provisions of the Plan will be construed so as to extend and limit participation in a manner consistent with the requirements of section 424 of the Code. Any other provision herein notwithstanding, the effectiveness of this Plan is contingent upon the Company offering to sell the Common Stock to the public pursuant to an effective Registration Statement under the Securities Act of 1933, as amended.

Section 1.2 Shares Reserved for the Plan. There shall be reserved for issuance and purchase by eligible employees under the Plan aggregate of 4,390,004 shares of Common Stock, subject to adjustment as provided in Section 8.3. Shares of Common Stock subject to the Plan may be shares now or hereafter authorized, issued or outstanding. If and to the extent that any right to purchase reserved shares is not exercised by a Participant for any reason, or if such right to purchase Common Stock under the Plan terminates as provided herein, or if the shares of Common Stock purchased by a Participant are forfeited, the shares of Common Stock which have not been so purchased or which are forfeited will again become available for purposes of the Plan, unless the Plan is terminated. Such unpurchased or forfeited shares of Common Stock will not be deemed to increase the aggregate number of shares specified above to be reserved for the purposes of the Plan (subject to adjustment as provided in Section 8.3).

ARTICLE II

DEFINITIONS

Section 2.1 Definitions.

- (a) Beneficiary means the person or persons designated by the Participant under Section 8.1 to receive shares of Common Stock or cash upon the Participant's death.
- (b) Board means the Board of Directors of the Company.
- (c) Business Day means any day that is a market trading day for the NASDAQ Global Select Market.
- (d) Code means the Internal Revenue Code of 1986, as amended.
- (e) Common Stock means the Common Stock of the Company as described in the Company's Certificate of Incorporation, or such other stock as shall be substituted therefor.

- (f) Company means National Instruments Corporation, a Delaware corporation, or any successor to the Company.
- (g) Committee means the individuals appointed to administer the Plan as described in Article VII.
- (h) Designated Subsidiaries means the Subsidiaries which have been designated by the Board or the Committee from time to time in its sole discretion as eligible to participate in the Plan.
- (i) Effective Date means the Effective Date of the Plan set forth in Section 8.6.
- (j) Eligible Employee means an Employee eligible to participate in the Plan, as defined in Section 3.1, or as otherwise required under mandatory provisions of laws applicable to a Designated Subsidiary.
- (k) Employee means any person who is customarily employed by the Company or a Designated Subsidiary for at least twenty (20) hours per week and more than five (5) months in a calendar year.
- (l) Fair Market Value means, for a particular day:
- (i) If shares of Common Stock of the same class are listed or admitted to unlisted trading privileges on any national or regional securities exchange at the date of determining the Fair Market Value, then the last reported sale price, regular way, on the composite tape of that exchange on the last Business Day before the date in question or, if no such sale takes place on that Business Day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to unlisted trading privileges on that securities exchange; or
  - (ii) If shares of Common Stock of the same class are not listed or admitted to unlisted trading privileges as provided in paragraph (i) above and sales prices for shares of Common Stock of the same class in the over-the-counter market are reported by the NASDAQ National Market System (or such other system then in use) at the date of determining the Fair Market Value, then the last reported sales price so reported on the last Business Day before the date in question or, if no such sale takes place on that Business Day, the average of the high bid and low asked prices so reported; or
  - (iii) If shares of Common Stock of the same class are not listed or admitted to unlisted trading privileges as provided in paragraph (i) above and sales prices for shares of Common Stock of the same class are not reported by the NASDAQ National Market System (or a similar system then in use) as provided in paragraph (ii) above, and if bid and asked prices for shares of Common Stock of the same class in the over-the-counter market are reported by NASDAQ (or, if not so reported, by the Pink OTC Markets, Inc.) at the date of determining the Fair Market Value, then the average of the high bid and low asked prices on the last Business Day before the date in question; or
  - (iv) If shares of Common Stock of the same class are not listed or admitted to unlisted trading privileges as provided in paragraph (i) above and sales prices or bid and asked prices therefor are not reported by NASDAQ (or the Pink OTC Markets, Inc.) as provided in

paragraph (ii) above or paragraph (iii) above at the date of determining the Fair Market Value, then the value determined in good faith by the Committee, which determination shall be conclusive for all purposes;

(v) If shares of Common Stock of the same class are listed or admitted to unlisted trading privileges as provided in paragraph (i) or sales prices or bid and asked prices therefor are reported by NASDAQ (or the Pink OTC Markets, Inc.) as provided in paragraph (ii) above or paragraph (iii) above at the date of determining the Fair Market Value, but the volume of trading is so low that the Board determines in good faith that such prices are not indicative of the fair value of the Common Stock, then the value determined in good faith by the Committee, which determination shall be conclusive for all purposes notwithstanding the provisions of paragraph (i), (ii), or (iii) above; or

(vi) The foregoing notwithstanding, with respect to the determination of Fair Market Value on the Grant Date, means the price at which a share of Common Stock is offered to the public on such date in the initial public offering of the Common Stock.

(m) Grant Date means the Effective Date.

(n) Gross Earnings means an Employee's regular straight-time earnings in effect for each payroll period for which payroll deductions are being made during an Offering Period, plus the Employee's sales commissions paid during the Offering Period, but excluding any payments for overtime, bonuses, special payments, other incentive compensation and any automobile or other expense allowance or reimbursement.

(o) Last Day of the Offering Period means, with respect to the Grant Date, the January 31, April 30, July 31 or October 31 which first occurs at least three (3) months after such Grant Date. Such term means, with respect to any Quarterly Grant Date, the January 31, April 30, July 31 or October 31 which next occurs after such Quarterly Grant Date.

(p) Offering Period means, with respect to the Grant Date or any Quarterly Grant Date, the period beginning on such date and ending on the Last Day of the Offering Period.

(q) Participant means an Eligible Employee who elects to participate in the Plan pursuant to Section 3.3.

(r) Payroll Deduction Account means the separate account established for each Participant to reflect the Participant's payroll deductions and contributions to the Plan.

(s) Plan Year means the twelve (12) month period beginning each February 1 and ending each January 31. However, the first Plan Year will be a long Plan Year beginning on the Effective Date and ending on March 31, 1996.

(t) Purchase Price means the lower of (a) 85 percent of the Fair Market Value of the Common Stock on the Quarterly Grant Date applicable to an Offering Period, or (b) 85 percent of the Fair Market Value of the Common Stock on the Stock Purchase Date. The Purchase Price of the Common Stock will include applicable commissions and brokerage fees, if any.

(u) Quarterly Grant Date means any February 1, May 1, August 1, and November 1 which occurs after the January 31, April 30, July 31 or October 31 which first occurs at least three (3) months after the Grant Date and prior to the termination of the Plan.

(v) Stock Purchase Date means, the first Business Day after the Last Day of the Offering Period.

(w) Subsidiary means any entity which is a subsidiary corporation of the Company within the meaning of Section 424 of the Code.

### ARTICLE III

#### ELIGIBILITY AND PARTICIPATION

Section 3.1 Initial Eligibility. Each Employee who has been employed by the Company or a Designated Subsidiary preceding the first day of an Offering Period will be eligible to participate in the Plan for such Offering Period (an Eligible Employee ).

Section 3.2 Leave of Absence; Termination of Employment. For purposes of participation in the Plan, a person on leave of absence will be deemed to be an Employee for the first three (3) months of such leave of absence or until such later day as of which such person's reemployment is guaranteed by contract or statute ( Guaranteed Reemployment Date ). However, such an Employee's employment with the Company or Designated Subsidiary will be deemed to have terminated for purposes of the Plan at the close of business on the first day following such three (3) month period of such leave of absence or the Guaranteed Reemployment Date (whichever is applicable) unless the Employee returns to full-time employment with the Company or a Designated Subsidiary on or before such date.

If an Employee's employment terminates, including but not limited to termination because such Employee's leave of absence terminates other than by reason of a return to full-time employment with the Company or a Designated Subsidiary, the Employee's employment with the Company or Designated Subsidiary will be deemed to have terminated for purposes of the Plan and such Employee will no longer be eligible to participate in the Plan and purchase Common Stock under the Plan.

If an Employee's employment with the Company or a Designated Subsidiary terminates, but such Employee continues to be employed by a subsidiary of the Company immediately following termination of the Employee's employment with the Company or a Designated Subsidiary, such Employee will not be deemed to have terminated such Employee's participation in the Plan unless such Employee withdraws from participation; however, notwithstanding the foregoing, no such Participant shall be allowed to continue making contributions during the applicable Offering Period or be eligible to participate in the Plan in any subsequent Offering Period, unless the applicable subsidiary is a Designated Subsidiary.

Section 3.3 Commencement of Participation. Each Eligible Employee may elect to participate in the Plan by completing and forwarding a payroll deduction authorization form to the Employee's appropriate payroll location on or before the date(s) specified by the Committee. The form will authorize regular payroll deductions over the following Offering Period in terms of whole number percentages or dollar amounts up to fifteen percent (15%) of the Employee's Gross Earnings for such Offering Period; provided, that the Committee, in its sole discretion, may permit an Employee to designate minimum or maximum contributions, specify different deduction instructions applicable to different components of his or her gross earnings, or otherwise provide instructions which the Committee determines to be administratively feasible.

ARTICLE IV

PAYROLL DEDUCTIONS

Section 4.1 Amount of Deduction. At the time an Eligible Employee files his authorization for payroll deduction, he or she will elect to have deductions made from his or her pay on each payday during the time he or she is a Participant at the rate specified in Section 3.3. Such payroll deductions shall be made regularly and in equal amounts during the Offering Period. No contributions shall be allowed under the Plan by payroll deduction except to the extent that acceptance of other contributions shall be required by statute.

Section 4.2 Participant's Account. All payroll deductions made for a Participant will be credited to his or her Payroll Deduction Account. A Participant may not make any separate cash payment into such account except with respect to periods when the Participant is on leave of absence and then only as provided in Section 4.4.

Section 4.3 Changes in Payroll Deductions. A Participant may not increase or decrease his or her payroll deduction during the Offering Period unless the Committee, in its sole discretion, determines otherwise. A Participant may discontinue his or her participation in the Plan during an Offering Period, but will not be eligible to recommence participation in the Plan for the Offering in accordance with Section 6.1.

Section 4.4 Leave of Absence. If a Participant goes on a leave of absence, such Participant will have the right to continue participating in the Plan to the extent he or she has Gross Earnings. If the Participant does not have any Gross Earnings during such leave of absence, his or her payroll deductions will be suspended and no further contributions shall be allowed during the leave of absence except as required by statute, but the Participant shall participate in purchases pursuant to Article V unless he or she withdraws from participation. If the Participant returns to employment with the Company or Designated Subsidiary before the end of three (3) months after such leave of absence began, or the Guaranteed Reemployment Date (if applicable), the Participant will recommence payroll deductions as of the date of his or her reemployment. If the Participant does not return to employment with the Company or a Designated Subsidiary within three (3) months after the date his or her leave of absence began, or the Guaranteed Reemployment Date (if applicable), his or her employment with the Company or Designated Subsidiary will be deemed to have terminated and his or her participation in the Plan will cease.

ARTICLE V

PURCHASE OF STOCK

Section 5.1 Grant of Option. (a) Each individual who is an Eligible Employee as of the initial Grant Date is granted an option to purchase at the Purchase Price the number of shares of Common Stock equal to 15 percent of the Eligible Employee's Gross Earnings for the Offering Period with respect to the Grant Date divided by the Purchase Price.

(b) Each individual who is an Eligible Employee as of any Quarterly Grant Date is granted an option to purchase at the Purchase Price the number of shares of Common Stock equal to 15 percent of the Eligible Employee's Gross Earnings for the Offering Period with respect to such Quarterly Grant Date.



Section 5.2 Limitation on Employee Stock Purchases. The provisions of Section 5.1 notwithstanding, no Participant may purchase more than Twenty-five thousand (\$25,000) of Common Stock under this Plan (based upon the Fair Market Value of the Common Stock at the time the right is granted) in one (1) year, considering both this Plan and any other stock purchase plan of the Company and its Subsidiaries. In addition, no Participant will be allowed to purchase stock under the Plan to the extent that immediately after the grant, such Participant would own stock, and/or ho