

NATIONAL INSTRUMENTS CORP /DE/
Form DEF 14A
March 31, 2008

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.

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NATIONAL INSTRUMENTS CORPORATION

Notice of Annual Meeting of Stockholders

May 13, 2008

TO THE STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the 2008 Annual Meeting of Stockholders (the Annual Meeting) of National Instruments Corporation, a Delaware corporation (NI), will be held on May 13, 2008, 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 three directors to the Board of Directors for a term of three years.
2. 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 17, 2008, 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,

David G. Hugley
Secretary

Austin, Texas

March 31, 2008

NATIONAL INSTRUMENTS CORPORATION

PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The National Instruments Corporation, a Delaware corporation (**NI**) Board of Directors (**Board**) 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 2008 Annual Meeting of Stockholders (the **Annual Meeting**) to be held on May 13, 2008, 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 recently adopted by the U.S. Securities and Exchange Commission (**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, 2008.

Record Date; Outstanding Shares

Stockholders of record at the close of business on March 17, 2008 (the **Record Date**) are entitled to receive notice of and vote at the Annual Meeting. On the Record Date, 78,111,994 shares of NI's common stock, \$0.01 par value, were issued and outstanding.

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, each stockholder will be entitled to vote for three nominees and the three nominees with the greatest number of votes will be elected.

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may vote on the Internet, by telephone or 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). Accordingly, abstentions will have no effect on the election of directors in Proposal One.

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. A broker non-vote will not affect the outcome of the voting on Proposal One.

A broker will vote your shares only if the proposal is a matter on which your broker has discretion to vote (such as the election of directors in Proposal One), 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 2009 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 2009, stockholder proposals must be received by the Secretary of NI no later than December 1, 2008, 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 2009 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 30, 2009 and no earlier than December 31, 2008. If the date of NI's 2009 annual meeting is advanced or delayed by more than 30 calendar days from the first anniversary date of the 2008 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 2009 annual meeting.

The proxy grants the proxy holders discretionary authority to vote on any matter raised at the Annual Meeting. If such a stockholder fails to comply with the foregoing notice provisions, proxy holders will be allowed to use their discretionary voting authority on such matter should the stockholder proposal come before the 2009 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 N. Mopac Expressway, Building B, 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 office of one class expiring each year. The number of directors which constitutes the entire board of directors is eight, with two directors in Class I, three directors in Class II, and three directors in Class III. NI currently has seven directors with one vacancy in Class II. The terms of office of Class II directors Jeffrey L. Kodosky and Donald M. Carlton will expire at the Annual Meeting. Mr. Kodosky and Dr. Carlton will stand for re-election to the Board of Directors at the Annual Meeting and NI's Board of Directors has nominated John K. Medica for election as a Class II director. The terms of office of Class III directors Ben G. Streetman, R. Gary Daniels and Duy-Loan T. Le will expire at the 2009 annual meeting. The terms of office of Class I directors James J. Truchard and Charles J. Roesslein will expire at the 2010 annual meeting. After the election at the Annual Meeting, there will be eight directors, with two directors in one class and three directors in two classes. The Board of Directors has determined that each of Mr. Roesslein, Dr. Carlton, Dr. Streetman, Mr. Daniels, and Ms. Le is independent under applicable Nasdaq listing standards and Rule 10A-3 of the Securities Exchange Act of 1934.

Vote Required

The three 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 three 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 recommends that stockholders 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. Messrs. Kodosky and Carlton are directors standing for re-election. Mr. Medica is a new director nominee recommended by the members of the Nomination and Governance Committee. Based on such recommendations, 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, position with NI and business experience.

Name of Nominee	Age	Position/Principal Occupation	Director Since
Jeffrey L. Kodosky	58	Director; Fellow of NI	1976
Donald M. Carlton (1) (2)	70	Director; Former President and Chief Executive Officer of Radian International LLC	1994
John K. Medica	47	Director Nominee; Former Senior Vice President and Co-Leader, Product Group at Dell, Inc.	

(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.

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 the following publicly traded companies: American Electric Power, and Temple-Inland, Inc.

John K. Medica 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.

INCUMBENT DIRECTORS WHOSE TERMS OF OFFICE

CONTINUE AFTER THE ANNUAL MEETING

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

Name of Director	Age	Position/Principal Occupation	Director Since
Ben G. Streetman (1) (2) (3)	68	Director; Dean, Cockrell School of Engineering at UT Austin	1997
R. Gary Daniels (1) (2) (3)	70	Director; Former Senior Vice President and General Manager of the Microcontroller Technologies Group, Motorola, Inc.	1999
Duy-Loan T. Le (2) (3)	45	Director; Senior Fellow of Texas Instruments, Inc.	2002
James J. Truchard	64	Chairman of the Board of Directors and President of NI	1976
Charles J. Roesslein (1) (2) (3)	59	Director; Former Chairman of the Board of Directors and President of Prodigy Communications Corporation	2000

(1) Member of Audit Committee

(2) Member of Compensation Committee

(3) Member of Nomination and Governance Committee

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

R. Gary Daniels has been a member of NI's Board of Directors since 1999. Mr. Daniels retired in 1997 from his position as Senior Vice President and General Manager of the Microcontroller Technologies Group of Motorola, Inc. He joined Motorola in 1965 and helped design, develop, market and manage their microcontroller products, leading a global team that built the business to greater than two billion dollars per year in revenue. He was elected a Motorola Dan Noble Fellow, Motorola's highest technical recognition, and he has been awarded 12 patents. Prior to joining Motorola, Mr. Daniels began his engineering career at Sandia National Laboratories, from 1958 to 1964. Mr. Daniels has a bachelor's degree in Electrical Engineering from the University of New Mexico.

Duy-Loan T. Le has been a member of NI's Board of Directors since September 2002. During her continuing 25-year career at Texas Instruments, Inc. (TI), in 2002, Ms. Le became the first woman at TI elected to the rank of Senior Fellow. Since 2000, she has been Digital Signal Processor (DSP) Advanced Technology Ramp Manager at TI, with responsibilities which include assisting with product execution on advanced technology nodes such as 180nm, 130nm, 90nm, 65nm, and 42nm. Ms. Le has been awarded 22 patents and has 8 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.

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.

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.

There is no family relationship between any director 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 (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 11500 North Mopac Expressway Austin, Texas 78759	17,292,360(3)	22.1%
Neuberger Berman Inc. 605 Third Avenue New York, New York 10158	5,432,737(4)	7.0%
Jeffrey L. Kodosky 11500 North Mopac Expressway Austin, Texas 78759	4,007,540(5)	5.1%
R. Gary Daniels	31,908(6)	*
Ben G. Streetman	53,688(7)	*
Donald M. Carlton	62,925(8)	*
Charles J. Roesslein	58,005(9)	*
Duy-Loan T. Le	40,502(10)	*
Peter Zogas, Jr.	147,320(11)	*
Timothy R. Dehne	132,149(12)	*
Alexander M. Davern	177,201(13)	*
John Graff	117,929(14)	*
All executive officers and directors as a group (15 persons)	22,371,302(15)	28.4%

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

John K. Medica, a director nominee, is not included within the table because he does not own any shares of NI common stock and he does not have the right to acquire any shares of NI common stock on or within 60 days of March 17, 2008.

- (1) Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable.
- (2) For each individual and group included in the table, percentage owned is calculated by dividing the number of shares beneficially owned by such person or group as described above by the sum of the 78,111,994 shares of common stock outstanding on March 17, 2008 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 17, 2008, including shares of restricted stock that vest and shares issuable upon the exercise of options on or within 60 days of March 17, 2008.
- (3) Includes 964,875 shares held by a trust for which Dr. Truchard is the trustee and 86,944 shares held by a non-profit corporation of which Dr. Truchard is president.
- (4)

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The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC on February 12, 2008, reflecting beneficial ownership as of December 31, 2007. The Schedule 13G/A states that Neuberger Berman Inc. has sole voting power with respect to 1,060,241 shares of common stock, no sole investment power, shared voting power with respect to 4,109,275 shares of common stock, and shared investment power with respect to 5,432,737.

- (5) Includes an aggregate of 1,374,148 shares held in two trusts for the benefit of Mr. Kodosky's daughters for which Mr. Kodosky is the trustee; includes 413,028 shares held by a non-profit corporation of which Mr. Kodosky is president and his wife, Gail T. Kodosky, is secretary; includes 145,650 shares held by a charitable remainder trust for

the benefit of Mr. Kodosky and his wife; includes 13,500 shares held in a charitable remainder trust for the benefit of Mr. Kodosky's brother of which Mr. Kodosky is the sole trustee with investment power over the securities held therein; includes an aggregate of 86,433 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 987,391 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 4,007,540 shares.)

- (6) Includes 23,000 shares subject to options exercisable and 5,001 shares subject to restricted stock units which vest on or within 60 days of March 17, 2008.
- (7) Includes 47,000 shares subject to options exercisable and 5,001 shares subject to restricted stock units which vest on or within 60 days of March 17, 2008.
- (8) Includes 47,000 shares subject to options exercisable and 5,001 shares subject to restricted stock units which vest on or within 60 days of March 17, 2008.
- (9) Includes 45,500 shares subject to options exercisable and 5,001 shares subject to restricted stock units which vest on or within 60 days of March 17, 2008, and includes an aggregate of 1,000 shares held in one UMGA account for the benefit of Mr. Roesslein's child for which Mr. Roesslein is the custodian.
- (10) Includes 30,500 shares subject to options exercisable and 5,001 shares subject to restricted stock units which vest on or within 60 days of March 17, 2008.
- (11) Includes 69,281 shares subject to options exercisable and 5,116 shares subject to restricted stock units which vest on or within 60 days of March 17, 2008.
- (12) Includes 67,559 shares subject to options exercisable and 5,116 shares subject to restricted stock units which vest on or within 60 days of March 17, 2008.
- (13) Includes 171,108 shares subject to options exercisable and 5,116 shares subject to restricted stock units which vest on or within 60 days of March 17, 2008.
- (14) Includes 59,380 shares subject to options exercisable and 2,559 shares subject to restricted stock units which vest on or within 60 days of March 17, 2008.
- (15) Includes 698,097 shares subject to options exercisable and 53,148 shares subject to restricted stock units which vest on or within 60 days of March 17, 2008.

CORPORATE GOVERNANCE

Board Meetings and Committees

The Board of Directors of NI held a total of 9 meetings, including one overnight retreat, during 2007. During 2007, the Board of Directors had a standing Audit Committee, Compensation Committee, and Nomination and Governance Committee.

No director attended fewer than 75% of the total number of meetings of the Board of Directors and the total number of meetings held by all committees of the Board of Directors on which he or she served. NI encourages, but does not require, its board members to attend NI's annual stockholders meeting. In 2007, all seven directors 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.

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, Ben G. Streetman, R. Gary Daniels and Charles J. Roesslein, met 11 times during 2007. 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.

Nomination and Governance Committee

The Nomination and Governance Committee, which currently consists of directors Donald M. Carlton, Ben G. Streetman, R. Gary Daniels, Charles J. Roesslein and Duy-Loan T. Le, each of whom is deemed to be an independent director as that term is defined by the Nasdaq listing standards, met once during 2007. The Nomination and Governance Committee recommends to the Board of Directors the selection criteria for board members, compensation of outside directors, appointment of board committee members and committee

chairmen, and develops board governance principles. The Nomination and Governance Committee will consider nominees recommended by stockholders provided such recommendations are made in accordance with procedures described in this Proxy Statement under "Deadline for Receipt of Stockholder Proposals." When considering a potential director candidate, the Nomination and Governance Committee looks for demonstrated character, judgment, relevant business, functional and industry experience, and a high degree of acumen. 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.

Compensation Committee

The Compensation Committee, which currently consists of directors R. Gary Daniels, Ben G. Streetman, Charles J. Roesslein and Duy-Loan T. Le, each of whom is deemed to be an independent director as that term is defined by the Nasdaq listing standards, met 9 times during 2007. The charter of the Compensation Committee is available on NI's website at

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 it relates to NI's executive officers. Neither Dr. Truchard nor 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 salary and bonus 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 administers NI's 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 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.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee are set forth in the Corporate Governance Compensation Committee section. During the most recent fiscal year, 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 the most recent fiscal year, 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

Except as discussed below with respect to NI's consulting arrangement with John K. Medica, a director nominee, NI had no related party transactions within the meaning of applicable SEC rules for the year ended December 31, 2007.

Pursuant to a consulting agreement dated May 22, 2007, NI engaged Mr. Medica in advisory capacity to provide guidance and recommendations on a number of mutually identified topics relating to product definition, design, development, sales, marketing, support, service, procurement and manufacturing. Pursuant to such agreement, Mr. Medica earned an aggregate of approximately \$115,750, based on a billing rate of \$2,500 per day for work performed pursuant to such consulting agreement. NI also reimbursed Mr. Medica approximately \$4,500 for his travel expenses related to the performance of the services pursuant to the consulting agreement. NI anticipates renewing the consulting agreement for 2008 on substantially similar terms to the arrangement for 2007.

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 a 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 transaction 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. On an annual basis, NI's General Counsel reports to the Audit Committee the conflict of interest reports received and acted upon by the President.

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 2007

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. 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, 2007 is described in the table below.

Director Compensation

For Fiscal Year Ended December 31, 2007

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) (1)	Option Awards (\$) (2)	Total (\$)
James J. Truchard (3)				
Charles J. Roesslein	\$ 47,950	\$ 119,871	\$ 30,646	\$ 198,467
Jeffrey L. Kodosky (4)				
Donald M. Carlton	47,100	119,871	30,646	197,617
Ben G. Streetman	50,600	119,871	30,646	201,117
R. Gary Daniels	50,450	119,871	30,646	200,967
Duy-Loan T. Le	40,500	119,871	30,646	191,017

- (1) Amounts represent the dollar amount recognized for financial statement reporting purposes with respect to the last fiscal year in accordance with FAS 123R and thus may include amounts from awards granted in and prior to 2007. 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 directors. The dollar amount recognized for financial statement reporting purposes is the grant date fair value divided by the monthly estimated life of the RSU grant. The value of the monthly estimated life of the RSU grant is expensed monthly. The monthly estimated life of the non-employee directors' grants is 36 months.

The grant date fair value of the 5,001 RSUs granted to each of the non-employee directors in 2007 was approximately \$135,527. 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 2007 each independent director was granted 5,001 RSUs on April 25, and the grant date fair value of each RSU grant was based on the April 24 closing price of \$27.10 per share.

Beginning in 2005, NI began to utilize RSUs as its principal equity compensation incentive for employees, executives and directors. In each of 2005, 2006 and 2007, NI granted to its non-employee directors 5,001 RSUs which vest over a three year period with 1/3 of the RSUs vesting on each anniversary of the vesting commencement date, which is May 1 of each year. As of December 31, 2007, the aggregate number of stock awards held by each of Mr. Roesslein, Dr. Carlton, Dr. Streetman, Mr. Daniels, and Ms. Le consisted of 5,001 shares of vested common stock and 10,002 unvested RSUs.

- (2) No options were awarded in 2007. The dollar value of the option awards is the dollar amount recognized for financial statement reporting purposes with respect to 2007 in accordance with FAS 123R and thus includes amounts from awards granted prior to 2007. The dollar amounts reflect NI's accounting expenses for these option awards and may not correspond to the actual value that will be recognized by the directors. For information on the valuation assumptions with respect to option grants made in prior years which are included in the calculation, please refer to the assumptions for fiscal years ended December 31, 2003 and 2004 stated in Note 8: Stockholders' equity to NI's audited financial statements for the fiscal year ended December 31, 2005, included in NI's Annual Report on Form 10-K filed with the SEC on February 24, 2006.

Prior to 2005, the long-term equity incentive component of NI's compensation program consisted solely of stock options. Each option granted in 2004 vests and becomes exercisable over a period of sixty (60) months from the date of grant and each option granted prior to 2004 vested and became exercisable over a period of thirty-six (36) months from the date of grant. As of December 31, 2007, the aggregate number of stock options held by each non-employee director is shown below:

Name	Vested as of December 31, 2007	Unvested as of December 31, 2007	Total
Charles J Roesslein	44,666	2,834	47,500
Donald M. Carlton	46,166	2,834	49,000
Ben G. Streetman	46,166	2,834	49,000
R. Gary Daniels	22,166	2,834	25,000
Duy-Loan T. Le	29,666	2,834	32,500

Neither Dr. Truchard nor Mr. Kodosky has ever been granted any stock options by NI.

- (3) 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.
- (4) 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 2007, the annual compensation for NI's non-employee directors was comprised of cash compensation in the form of an annual retainer and meeting and committee fees; 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 are paid an annual cash retainer of \$20,000 per year, with the Audit Committee Chair being paid an additional \$5,000 annual retainer.

Meeting Fees

Non-employee directors also receive a fee of \$1,500 for attending each Board meeting, \$1,000 for each committee meeting attended in person and \$150 for each Board or committee meeting attended telephonically. In addition, non-employee directors are paid \$3,000 for attending overnight Board retreats.

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 2005 Incentive Plan, non-employee directors are eligible to receive discretionary RSU grants. In 2005, 2006 and 2007, each non-employee director received a grant of 5,001 RSUs. Prior to 2005, non-employee directors received stock option grants under NI's Amended and Restated 1994 Incentive Plan. Non-employee directors may still exercise options previously granted to them.

EXECUTIVE OFFICERS

The following sets forth information concerning the persons currently 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.

Name of Executive Officer	Age	Position
James J. Truchard	64	Chairman of the Board of Directors and President
Timothy R. Dehne	42	Senior Vice President, Research and Development
Peter Zogas, Jr.	47	Senior Vice President, Sales and Marketing
Alexander M. Davern	41	Chief Financial Officer; Senior Vice President, IT and Manufacturing Operations; and Treasurer
Mark A. Finger	50	Vice President, Human Resources
John M. Graff	43	Vice President, Marketing, Customer Operations and Investor Relations
Raymond C. Almgren	42	Vice President, Product Marketing and Academic Relations
David G. Hugley	44	Vice President and General Counsel; Secretary
Robert R. Porterfield	41	Vice President, Manufacturing

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

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

Peter Zogas, Jr. joined 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.

Alexander M. Davern joined NI in February 1994 and currently serves as Chief Financial Officer; Senior Vice President, IT and Manufacturing Operations; and Treasurer. He previously served as NI's Chief Financial Officer and Treasurer from December 1997 to December 2002; as Acting Chief Financial Officer and Treasurer from July 1997 to December 1997; and as Corporate Controller and International Controller. Prior to joining 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 Business Administration and a diploma in professional accounting from University College in Dublin, Ireland. Mr. Davern is currently a director of SigmaTel, Inc., a publicly traded company.

Mark A. Finger joined 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.

John M. Graff joined NI in June 1987 and currently serves as Vice President, Marketing, Customer Operations and Investor Relations. He previously served as NI's Vice President, Marketing from June 1999 to

December 2002 and as Acting Vice President, Marketing from November 1998 to May 1999. His earlier positions with 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 and Academic Relations. He previously 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.

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: