

NATIONAL INSTRUMENTS CORP
Form DEF 14A
March 30, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(RULE 14a-101)
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:

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NATIONAL INSTRUMENTS CORPORATION

Notice of 2017 Annual Meeting of Stockholders

- Date and Time:** Tuesday, May 9, 2017
9:00 A.M., local time
- Place:** NI s principal executive offices
11500 North Mopac Expressway, Building C
Austin, Texas 78759
- Business:**
1. To elect each of Jeffrey L. Kodosky, Michael E. McGrath, and Alexander M. Davern 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 LLP as NI s independent registered public accounting firm for the fiscal year ending December 31, 2017.
 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.
- Record Date:** Only stockholders of record at the close of business on March 10, 2017, are entitled to receive notice of and to vote at the meeting.
- Voting By Proxy:** 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

Vice President, General Counsel, Secretary

March 30, 2017

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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 2017 Annual Meeting of Stockholders (the **Annual Meeting**) to be held on May 9, 2017, 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 30, 2017.

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 living in the same household. We will promptly deliver a separate copy of the Notice of Internet Availability of Proxy Materials and, as applicable, any additional proxy materials 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 stockholders living in the same household are receiving multiple copies of the Notice of Internet Availability of Proxy Materials or the printed versions of such other proxy materials and would like to receive a single copy of these documents in the future, the 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

Stockholders of record at the close of business on March 10, 2017 (the **Record Date**) are entitled to receive notice of and vote at the Annual Meeting. On the Record Date, 129,593,771 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 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. However, any nominee for director in an uncontested election who receives a greater number of votes withheld from his or her election than votes for such election shall promptly

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tender his or her resignation following certification of the stockholder vote. See Proposal One: Election of Directors Vote Required; Recommendation of Board of Directors for additional information on these guidelines.

The affirmative vote of the holders of a majority of the votes cast on the proposal at the Annual Meeting will be required to approve Proposals Two, Three, Four, and Five.

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, and abstentions will have the same effect as a vote against Proposals Two, Three, Four or 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 vote 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 2018 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

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materials for the annual meeting of stockholders to be held in 2018, stockholder proposals must be received by the Secretary of NI no later than November 30, 2017, 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 2018 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 29, 2018 and no earlier than December 30, 2017. If the date of NI s 2018 annual meeting is advanced or delayed by more than 30 calendar days from the first anniversary date of the 2017 Annual Meeting, your notice of a proposal will be timely if it is received by NI by the close of business on the later of (i) the 90th day prior to the 2018 annual meeting and (ii) the 10th day following the day NI first publicly announces the date of the 2018 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 2018 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.

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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. On January 25, 2017, the Board of Directors approved an increase in the size of the Board by one director, from eight to nine directors and appointed Alexander M. Davern to fill the resulting vacancy as a Class I director. The authorized number of directors which constitutes the entire Board of Directors is currently nine, with three directors in Class I, three directors in Class II, and three directors in Class III.

The terms of office of Class II directors Mr. Jeffrey L. Kodosky, Dr. Donald M. Carlton, and Mr. Michael E. McGrath will expire at the Annual Meeting. On January 20, 2017, Dr. Carlton informed the Board that he will not stand for re-election as a director at the Annual Meeting. There was no disagreement or dispute between Dr. Carlton and NI that led to his decision not to stand for re-election. Upon the completion of Dr. Carlton's current term as a director, the Board intends to reduce the size of the Board to eight members. NI's Board of Directors has nominated Jeffrey L. Kodosky, Michael E. McGrath, and Alexander M. Davern for election at the Annual Meeting as Class II directors to serve for a term of three years. In connection with the Annual Meeting, Mr. Davern will resign as a Class I director immediately prior to the Annual Meeting and, if elected at the Annual Meeting, Mr. Davern will serve as a Class II director. The terms of office of Class III directors Ms. Duy-Loan T. Le, Mr. Charles J. Roesslein and Dr. Gerhard Fettweis will expire at the 2018 annual meeting. The terms of office of Class I directors Dr. James J. Truchard and Mr. John M. Berra will expire at the 2019 annual meeting.

Under the listing requirements of the Nasdaq Stock Market (Nasdaq), a majority of the Board of Directors must be comprised of independent directors. The Board of Directors has determined that each of Mr. Berra, Ms. Le, Mr. McGrath, Mr. Roesslein and Dr. Fettweis 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.

Under NI's Corporate Governance Guidelines, any nominee for director in an uncontested election (i.e., an election where the only nominees are those recommended by the Board) who receives a greater number of votes withheld from his or her election than votes for such election shall promptly tender his or her resignation following certification of the stockholder vote.

In such event, the Nomination and Governance Committee will promptly consider the tendered resignation and will recommend to the Board whether to accept the tendered resignation or to take some other action, such as rejecting the tendered resignation and addressing the apparent underlying causes of the withheld votes. In making this recommendation, the Nomination and Governance Committee will consider all factors deemed relevant by its members including, without limitation, the underlying reasons why stockholders withheld votes for election from such director (if ascertainable), the length of service and qualifications of the director whose resignation has been tendered, the director's contributions to NI, whether by accepting such resignation NI will no longer be in compliance with any applicable law, rule, regulation or governing document, and whether or not accepting the resignation is in the best interests of NI and its stockholders.

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The Board will promptly act on the Nomination and Governance Committee's recommendation no later than 90 days following its receipt of such recommendation. In considering the Nomination and Governance Committee's recommendation, the Board will consider the factors considered by the Nomination and Governance Committee and such additional information and factors the Board believes to be relevant.

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.

Jeffrey L. Kodosky, 67 - Director since 1976; Fellow of NI.

Business Experience: Mr. Kodosky co-founded NI in 1976. 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 Applied Research Laboratories (ARL), at 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 serve as a director since he is a founder of NI, a highly respected mentor in the NI global R&D organization and he 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.

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Michael E. McGrath, 67 - Director since May 2014; Former Chief Executive Officer of i2 Technologies and Pittiglio Rabin Todd & McGrath, Business Strategy Consultant.

Business Experience: Mr. McGrath is a highly experienced executive, entrepreneur and bestselling author dealing with decision making techniques and processes. He is a frequent featured guest on business television segments and his advice has appeared in many publications. He served as a director of i2 Technologies, a supply chain management and software services company, from September 2004 to May 2008, and as its CEO and President from February 2005 to July 2007. He served on the board of directors of Entrust, Inc., from February 2007, and as Chairman of the Board starting in November 2008, until the company was sold in July 2009. He served as executive chairman of the board of The Thomas Group from February 2008 to March 2012, and as acting CEO for a period of time. The Thomas Group filed for bankruptcy protection in March 2012. He also served on the board of Sensable Technologies from 2000 until 2009 and served on the board of Revolution Analytics from 2014 until 2015. He was a founder and the Chief Executive Officer of Pittiglio Rabin Todd & McGrath, a management consulting firm, for 28 years, retiring from the firm in July 2004. Mr. McGrath is the author of *Product Strategy for High-Technology Companies*, *Next Generation Product Development*, *Business Decisions*, and other books. Mr. McGrath received his bachelor's degree in Computer Science from Boston College, and his master's degree in Business Administration from Harvard Business School.

The Board concluded that Mr. McGrath should serve as a director because he has an extensive background in product development strategy, strategic product marketing, and software services. Having served as CEO of i2 Technologies, a vendor of supply chain management software, he has knowledge of software systems, experience selling into corporate opportunities, and experience developing large accounts. In particular, he has experience with management functions including software marketing and sales force management activities, and software development. He is an experienced consultant and author with knowledge of cloud computing and smartmobile applications, which are relevant for NI's business. He serves as a member of the Audit Committee, a member of the Compensation Committee and a member of the Nomination and Governance Committee.

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Alexander M. Davern, 50 - Director since January 2017; Chief Executive Officer and President of NI.

Business Experience: Mr. Davern joined NI in February 1994 and has served as President and Chief Executive Officer since January 2017. He previously served as Chief Operating Officer, Executive Vice President, Chief Financial Officer and Treasurer from October 2010 to December 2016. Mr. Davern 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. Mr. Davern is a director of Helen of Troy and of Cirrus Logic, Inc., both publicly traded companies.

The Board concluded that Mr. Davern should serve as a director because he is NI's Chief Executive Officer and has held other executive officer positions with NI for over 19 years. In these roles, Mr. Davern has gained extensive knowledge of NI's business, financial and operations matters, and the Board believes that Mr. Davern is well suited to help define and execute NI's corporate strategy. Mr. Davern also serves as a director for other publicly traded companies and has strong expertise in governance matters.

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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.

Duy-Loan T. Le, 54 - Director since September 2002; Senior Fellow of Texas Instruments, Inc.

Business Experience: Ms. Le holds the title of Senior Fellow at Texas Instruments Inc. (TI), one of the leading semiconductor companies in the world. Ms. Le was appointed Senior Fellow in 2002 and is the only woman in TI's history elected to this highest Fellow rank. She has held various leadership positions at TI since 1982, including Advanced Technology Ramp Manager for the Embedded Processing Division and worldwide project manager for the Memory Division. While at TI, Ms. Le has led all aspects of execution for advanced technology nodes, including design, assembly and test, productization, qualification, release to market, high volume ramp, and quality and reliability assurance. She has experience opening international offices and developing engineering talent for the TI business. Ms. Le has been awarded 24 patents. She holds a bachelor's degree in Electrical Engineering from UT Austin and a master's degree in Business Administration from the Bauer College of Business at the University of Houston.

The Board concluded that Ms. Le should serve as a director because she has extensive experience managing platform-based product development and is a results-oriented and highly accomplished technology executive with extensive experience in various aspects of semiconductor design and manufacture, including operations, research and development, product launch, customer interfacing, foundry partnership, and supply chain management while at TI. She also managed global R&D centers for TI, and these centers span multiple countries, disciplines, businesses, and organizations across TI. She has over 20 years of process manufacturing experience. These skills and knowledge are relevant for NI's business. She serves as a member of the Audit Committee, a member of the Compensation Committee and a member of the Nomination and Governance Committee.

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Charles J. Roesslein, 68 - Director since July 2000; Former Chief Executive Officer of Austin Tele-Services, LLC.

Business Experience: Mr. Roesslein was the co-founder and Chief Executive Officer of Austin Tele-Services, LLC, which is in the secondary market for telecom and IT assets, from 2004 until 2016 when his interests were sold. 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 be nominated and serve as a director because 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. He serves as a member of the Audit Committee and a member of the Nomination and Governance Committee.

Gerhard P. Fettweis, PhD, 55 - Director since March 2016; Vodafone Chair Professor at the Technical University of Dresden.

Business Experience: Since September 1994, Dr. Fettweis has served as the Vodafone Chair Professor of Electrical Engineering at the Technical University of Dresden, where his research focuses on next generation wireless systems. In connection with that role, he has spun-out ten startup companies from the university. From August 2015 to February 2016, he served as a visiting professor at the University of California at Berkeley and as a senior researcher at the International Computer Science Institute. Dr. Fettweis is a member of the German National Academy of Science and Engineering and a fellow of the Institute of Electrical and Electronics Engineers (IEEE). He has received numerous awards, including a recognition award for outstanding technical contributions from the IEEE Wireless Communications Technical Committee and the Stuart Meyer Memorial Award from the IEEE Vehicular Technology Society, both in 2014. Dr. Fettweis has authored or co-authored two books and is listed as an inventor on over thirty issued patents.

Dr. Fettweis received his Dipl.-Ing. in Electrical Engineering in 1986 and his PhD in Electrical Engineering in 1990, each from Aachen University of Technology.

The Board concluded that Dr. Fettweis should serve as a director because of his strong technical background and extensive knowledge in electrical engineering, as well as his experience in science, technology and business. Additionally, he is very involved in the scientific community and has leadership and management experience through his role as the Vodafone Chair Professor at the Technical University of Dresden. He serves as a member of the Compensation Committee.

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James J. Truchard, PhD, 73 - Chairman of the Board of Directors since 1976; Former Chief Executive Officer and President of NI from 1976 to 2016.

Business Experience: Dr. Truchard co-founded NI in 1976 and served as President and Chief Executive Officer from the founding of NI until December 2016. From 1963 to 1976, Dr. Truchard worked at the Acoustical Measurements Division at ARL at 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 because 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 40 years to make NI a highly successful, worldwide enterprise while maintaining an entrepreneurial spirit.

John M. Berra, 69 - Director since May 2010; Former Chairman of Emerson Process Management and Former Executive Vice President of Emerson Electric Company.

Business Experience: Prior to retiring in September 2010, beginning in October 2008 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., a publicly traded company, and serves as a member 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. He serves as a member of the Audit Committee, a member of the Compensation Committee and a member of the Nomination and Governance Committee.

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

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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 11500 North Mopac Expressway Austin, Texas 78759	10,333,821 (3)	7.97%
James J. Truchard Marital Trust 3816 Hunterwood Point Austin, Texas 78746	10,770,347 (4)	8.31%
The Vanguard Group 100 Vanguard Blvd. Malvern, Pennsylvania 19355	9,018,388 (5)	6.96%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	7,000,958 (6)	5.40%
BlackRock, Inc. 55 East 52 nd Street New York, NY 10055	8,747,088 (7)	6.75%
Janus Capital Management LLC 151 Detroit Street Denver, Colorado 80206	10,923,681 (8)	8.43%
Jeffrey L. Kodosky	2,074,939 (9)	1.60%
Alexander M. Davern	99,265 (10)	*%
Eric H. Starkloff	19,512 (11)	*%
Scott A. Rust	21,950 (12)	*%
Charles J. Roesslein	94,452 (13)	*%

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Duy-Loan T. Le	87,766 (14)	*%
Donald M. Carlton	57,122 (15)	*%
John M. Berra	32,836 (16)	*%
Michael E. McGrath	15,540 (17)	*%
Gerhard P. Fettweis	3,084 (18)	*%
All executive officers and directors as a group (12 persons)	12,860,224 (19)	9.92%

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

- (1) Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable.
- (2) For each individual and group included in the table, percentage owned is calculated by dividing the number of shares beneficially owned by such person or group as described above by the sum of the 129,593,771 shares of common stock outstanding on March 10, 2017 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 10, 2017, including restricted stock units (RSUs).

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- (3) Includes 9,271,416 shares directly owned by Dr. Truchard, 985,162 shares held in three trust accounts for which Dr. Truchard is the trustee, and 77,243 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 filed with the SEC on February 24, 2015, reflecting beneficial ownership as of December 31, 2014. The Schedule 13G states that the James J. Truchard Marital Trust has sole voting power with respect to 10,770,347 shares of common stock and sole dispositive power with respect to 10,770,347 shares of common stock.
- (5) The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC on February 10, 2017, reflecting beneficial ownership as of December 31, 2016. The Schedule 13G/A states that The Vanguard Group and/or its subsidiaries have sole voting power with respect to 61,792 shares of common stock, shared voting power with respect to 12,250 shares of common stock, sole dispositive power with respect to 9,018,388 shares of common stock and shared dispositive power with respect to 68,117 shares of common stock.
- (6) The information as to beneficial ownership is based on a Schedule 13G filed with the SEC on February 7, 2017, reflecting beneficial ownership as of December 31, 2016. The Schedule 13G states that T. Rowe Price Associates, Inc. and/or its subsidiaries have sole voting power with respect to 1,132,468 shares of common stock and sole dispositive power with respect to 7,000,958 shares of common stock.
- (7) The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC on January 25, 2017, reflecting beneficial ownership as of December 31, 2016. The Schedule 13G/A states that BlackRock, Inc., and/or its subsidiaries have sole voting power with respect to 8,313,363 shares of common stock, shared voting power with respect to 20,714 shares of common stock, sole dispositive power with respect to 8,726,374 shares of common stock and shared dispositive power with respect to 20,714 shares of common stock.
- (8) The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC on February 13, 2017, reflecting beneficial ownership as of December 31, 2016. The Schedule 13G/A states that Janus Capital Management LLC and/or its subsidiaries have sole voting power with respect to 10,917,981 shares of common stock, shared voting power with respect to 5,700 shares of common stock, sole dispositive power with respect to 10,917,981 shares of common stock and shared dispositive power with respect to 5,700 shares of common stock.
- (9) Includes an aggregate of 972,708 shares held in two trusts for the benefit of Mr. Kodosky's daughters for which Mr. Kodosky is the trustee; includes 102,383 shares held by a non-profit corporation of which Mr. Kodosky is president and his wife, Gail T. Kodosky, is secretary; includes 80,000 shares held by a charitable remainder trust for the benefit of Mr. Kodosky and his wife; includes 13,499 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 and 19,650 shares in Raymond Kodosky Art 2-7 Trust; includes an aggregate of 105,046 shares held in 14 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 390,827 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 of 2,074,939 shares.

(10) Includes 17,410 shares subject to RSUs which vest within 60 days of March 10, 2017.

(11) Includes 9,681 shares subject to RSUs which vest within 60 days of March 10, 2017.

(12) Includes 6,267 shares subject to RSUs which vest within 60 days of March 10, 2017.

(13) Includes 4,439 shares subject to RSUs which vest within 60 days of March 10, 2017.

(14) Includes 4,439 shares subject to RSUs which vest within 60 days of March 10, 2017.

(15) Includes 4,439 shares subject to RSUs which vest within 60 days of March 10, 2017.

(16) Includes 4,439 shares subject to RSUs which vest within 60 days of March 10, 2017.

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(17) Includes 5,990 shares subject to RSUs which vest within 60 days of March 10, 2017.

(18) Includes 3,084 shares subject to RSUs which vest within 60 days of March 10, 2017.

(19) Includes 63,359 shares subject to RSUs which vest within 60 days of March 10, 2017.

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CORPORATE GOVERNANCE

Board Meetings and Committees

The Board of Directors of NI held a total of seven meetings during 2016. The Board of Directors has a standing Audit Committee, Compensation Committee, and Nomination and Governance Committee.

Each director, other than Dr. Carlton, attended at least 75% of the aggregate 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 meeting of stockholders. In 2016, all directors, with the exception of Dr. Fettweis and Dr. Carlton, attended NI's annual meeting.

Board Leadership Structure

The Board of Directors believes that Dr. Truchard is best situated to serve as Chairman because he is a co-founder of NI and a large stockholder and is very familiar with NI's business and industry, and capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. 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 Chairman, Chief Executive Officer and the other management director bring company-specific experience and expertise. The Board of Directors believes that the current roles of Chairman and Chief Executive Officer promote strategy development and execution, and facilitate 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 C, Austin, Texas 78759, Attention: Corporate Secretary. Correspondence received that is addressed to the members of the Board of 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 Directors.

Audit Committee

The Audit Committee, which currently consists of directors Charles J. Roesslein, John M. Berra, Michael E. McGrath, and Duy-Loan T. Le, met six times during 2016. 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 maintains free

and open communication with NI's independent registered public accounting firm and the internal audit department, overseeing the internal audit function and NI's management team. The Audit Committee

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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 environmental, Equal Employment Opportunity Commission, export and SEC regulations. The Audit Committee has established procedures to promote and protect employee reporting of (i) suspected fraud or wrongdoing relating to accounting, auditing or financial reporting matters and (ii) complaints and concerns regarding a violation of the federal securities laws, including (A) receiving, retaining and addressing complaints received by NI relating to such matters, (B) enabling employees to submit on a confidential and anonymous basis any concerns regarding such matters; and (C) protecting reporting employees from retaliation. 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 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 John M. Berra, Charles J. Roesslein, Michael E. McGrath, and Duy-Loan T. Le, each of whom was deemed to be an independent director as that term is defined by the Nasdaq listing standards, met three times during 2016. 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.

Compensation Committee

The Compensation Committee, which currently consists of directors Duy-Loan T. Le, John M. Berra, Michael E. McGrath, and Gerhard P. Fettweis each of whom was deemed to be an independent director as that term is defined by applicable SEC rules, Nasdaq listing standards and other requirements, met eleven times during 2016. 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 obtained input from NI's then President and Chief Executive Officer, Dr. Truchard, when discussing the performance of, and compensation levels for, executives other than himself. The Compensation Committee also worked 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

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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, Alexander Davern, the vice president of human resources, nor any of NI's other executives participates in deliberations relating to his or her 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. When establishing the salaries and cash bonus compensation for the executive officers other than the Chief Executive Officer, the Compensation Committee considers the 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 2015 Equity Incentive Plan (the "2015 Incentive Plan"), NI's 2010 Incentive Plan (the "2010 Incentive Plan"), NI's 2005 Incentive Plan (the "2005 Incentive Plan"), and Employee Stock Purchase 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.

For a discussion of NI's utilization of compensation consultants, see Compensation Discussion and Analysis.

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COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee are set forth in the Compensation Committee section of this proxy statement and do not include any NI executive officers. During 2016, 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 2016, 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 requiring disclosure under applicable SEC rules for the year ended December 31, 2016 and has no such related party transaction currently proposed.

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 interest, 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

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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.

Table of Contents**BOARD COMPENSATION****Determining Compensation for Non-Employee Directors in 2016**

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, 2016 is set forth in the table below.

DIRECTOR COMPENSATION**FOR FISCAL YEAR ENDED DECEMBER 31, 2016**

Name	Fees				Total
	Earned or Paid in Cash	Stock Awards (1)	Option Awards	All Other Compensation	
James J. Truchard (2)	\$	\$	\$	\$	\$
Jeffrey L. Kodosky (3)					
Donald M. Carlton	62,740	130,037			192,777
Charles J. Roesslein	76,326	130,037			206,363
Duy-Loan T. Le	76,326	130,037			206,363
John M. Berra	72,109	130,037			202,146
Michael E. McGrath	68,826	130,037			198,863
Gerhard P. Fettweis	52,198	260,074			312,272

- (1) Amounts represent the dollar amount recognized for financial statement reporting purposes for 2016 in accordance with Financial Accounting Standards Board Accounting Standard Codification Topic 718 (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. On April 27, 2016, Dr. Carlton, Mr. Roesslein, Ms. Le, Mr. Berra and Mr. McGrath were each granted 4,626 RSUs and Dr. Fettweis was granted 9,252 RSUs. The grant date fair value of each RSU grant was based on the April 26, 2016 closing price of \$28.11 per share. The RSUs granted to Dr. Carlton, Mr. Roesslein, Ms. Le, Mr. Berra, Mr. McGrath, and Dr. Fettweis 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 in 2016, Dr. Truchard did not receive any additional compensation for his service as a director. His compensation as an NI officer in 2016 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.

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Discussion of Director Compensation

In 2016, the annual compensation for NI's non-employee directors was comprised of cash compensation in the form of an annual retainer, committee chair retainer, committee membership 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. Dr. Truchard does not receive any compensation for his service as a director.

Annual Board/Committee Retainer Fees

In 2016, the annual compensation for NI's non-employee directors was comprised of cash compensation, payable quarterly, for membership on the board of directors and committees, as well as for committee chair positions. Non-employee directors receive an annual cash retainer of \$60,000 per year, plus \$5,000 per year for membership on the Audit Committee and \$2,500 per year for membership on each of the Compensation Committee and the Nomination and Governance Committee. In addition, the chairpersons of the Audit Committee, Compensation Committee and Nomination and Governance Committee receive an additional \$15,000, \$10,000 and \$5,000 per year, respectively. An NI employee director does not receive any additional compensation for service as a director.

Non-Employee Director Reimbursement Practice

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

Restricted Stock Unit Awards

Under NI's applicable Incentive Plan, non-employee directors are eligible to receive RSU grants. Specifically, each non-employee director receives an annual grant of RSUs equal to \$130,000 divided by the closing price of NI's common stock on the day immediately preceding the date of grant. Under the 2015 Incentive Plan, in 2016, Dr. Carlton, Mr. Roesslein, Ms. Le, Mr. Berra, and Mr. McGrath were each granted 4,626 RSUs and Dr. Fettweis was granted 9,252 RSUs based on NI's closing stock price of \$28.11 per share on April 26, 2016. The RSUs granted to Dr. Carlton, Mr. Roesslein, Ms. Le, Mr. Berra, Mr. McGrath, and Dr. Fettweis vest over a three-year period with one-third of the RSUs vesting on each anniversary of the vesting commencement date, which is May 1 of each year.

Table of Contents**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.

Name of Executive Officer	Age	Position
Alexander M. Davern	50	Chief Executive Officer and President
Eric H. Starkloff	42	Executive Vice President, Global Sales & Marketing
Scott A. Rust	50	Senior Vice President, Global Research & Development
John C. Roiko	59	Interim Chief Financial Officer and Treasurer

See Election of Directors for additional information with respect to Mr. Davern.

Eric H. Starkloff joined NI in July 1997 and currently serves as Executive Vice President, Global Sales and Marketing. He previously served as NI's Senior Vice President of Marketing from April 2013 to January 2014; Vice President of Marketing from November 2010 to March 2013; as Vice President of Product Marketing from October 2008 to October 2010; as Director of Product Marketing from August 2004 to September 2008; and as Product Marketing Manager from January 1998 to July 2004. Mr. Starkloff received his bachelor's degree in Electrical Engineering from the University of Virginia.

Scott A. Rust joined NI in 1990 and currently serves as Senior Vice President, Global Research and Development. He previously served as NI's Vice President of Research and Development Test Systems from July 2013 to January 2014; as NI's Vice President of Research and Development in Penang, Malaysia from January 2011 to July 2013; as Vice President of Research and Development of Modular Instruments from October 2008 to December 2010; as Director of Modular Instruments from March 2003 to September 2008; as Software Section Manager from October 2000 to March 2003; as Group Manager from October 1996 to October 2000; as Marketing Manager of Test and Measurement Software from August 1991 to September 1996; and as Applications Engineer from June 1990 to July 1991. Mr. Rust received his bachelor's degree in Electrical Engineering from Texas A&M University.

John C. Roiko joined NI in 1998 and currently serves as Interim Chief Financial Officer and Treasurer. He formerly served as Vice President of Finance from October 2008 to December 2016 and as worldwide Corporate Controller from March 1998 to September 2008. As Interim Chief Financial Officer, Mr. Roiko is responsible for the strategy and execution of NI's worldwide finance operations including financial planning and reporting, foreign exchange hedging, acquisition analysis and integration, corporate taxation, manufacturing support, and company-wide financial support. Prior to joining NI, Mr. Roiko worked as a product line controller for the defense division at Honeywell before moving to Emerson Process Management as the North America's accounting manager. Mr. Roiko then pursued start-up opportunities as the Chief Financial Officer for Columbia Scientific and director of accounting for Arrowsmith Technologies. Mr. Roiko holds a bachelor's degree in Finance with a minor in Accounting from St. Cloud State University and a master's degree from Minnesota State University.

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EXECUTIVE COMPENSATION

The following Compensation Discussion and Analysis (CD&A) should be read in conjunction with the compensation tables contained elsewhere in this proxy statement. References to our named executive officers in this CD&A are to the same persons set forth in the summary compensation table.

Compensation Discussion and Analysis

Overview of Compensation Philosophy and Objectives

NI's philosophy towards compensation for its named executive officers reflects 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.

The Compensation Committee engaged Frederic W. Cook & Co. (F.W. Cook) as an independent consultant for 2011 compensation purposes. At that time, the Compensation Committee determined to engage an independent consultant every three years. Accordingly, the Compensation Committee again engaged F.W. Cook in 2014 to review NI 's overall executive compensation structure and perform an analysis and assessment of NI 's compensation processes, methodologies and practices to evaluate their effectiveness and alignment with NI 's compensation philosophy and objectives (as outlined above). As part of its analysis, the consulting firm reviewed compensation trends and developments, compensation levels for a number of companies that were comparable to NI in terms of market capitalization, revenue size and number of employees (including the Radford data used by NI in prior years as described below), NI executive compensation levels and certain disclosure and regulatory requirements.

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As a result of its analysis, F.W. Cook concluded that NI's compensation program was highly effective, enabled NI to attract and retain leadership talent and that the program was comprehensively tailored to NI's business model, culture and philosophy. The Compensation Committee considered the consultant's work in establishing executive compensation levels for 2016. In connection with the engagement of F.W. Cook in 2014, the Compensation Committee determined that F.W. Cook met the independence requirements of applicable SEC and Nasdaq rules. F.W. Cook also advised the Compensation Committee with respect to the terms of the CEO Agreement (as defined below). Other than its engagement by the Compensation Committee in 2011 and 2014, and for the CEO Agreement, F.W. Cook has not provided any other services to the Compensation Committee or NI. The Compensation Committee has engaged F.W. Cook in 2017 to assist with a review of NI's overall compensation methodologies and practices and executive compensation matters.

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, business results and risk assessment.

For the past several years, the Compensation Committee has utilized data from Radford Surveys, a leading worldwide provider of survey information regarding executive compensation of technology companies. In setting compensation levels for 2016, the Radford data which was utilized included executive compensation information of public companies in the high technology industry that had annual revenues ranging from \$500 million to \$3 billion. NI believes the information from public 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 survey as a whole rather than any individual company within such survey.

NI believes that total compensation at or around the 50th percentile of the peer companies provided in the Radford survey is the appropriate starting point for benchmarking the compensation of its executives. Though NI uses such 50th 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 the level of responsibility, prior experience, expectations of future performance and assessment of risk as it relates to employee motivation and employee retention. NI uses information obtained from Radford 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. Set forth on Exhibit A is each of the companies that are covered by the relevant portion of the Radford information utilized by NI for 2016 compensation purposes. For 2016, the actual total compensation paid to NI's executive officers, excluding NI's Chief Executive Officer, was between the 25th percentile and the 50th percentile of the peer companies in the Radford data.

NI does not have specific policies for allocating between long-term and currently paid out compensation or policies for allocating between cash and non-cash compensation, and among different forms of non-cash compensation. Each NI executive may receive a mix of compensation comprised of base salary, performance-based bonus, equity awards, service-based bonus and discretionary bonuses. The amount of compensation allocated to each element of compensation is determined on a case-by-case basis. At his request, NI's former CEO, Dr. James Truchard, who is a founder of the company and a large stockholder, received a base salary of \$1 and did not participate in the executive bonus programs or receive equity awards.

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

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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 Annual Incentive Program (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.

At our annual meeting of stockholders in 2011, our stockholders adopted a three-year interval for management pay review. Accordingly, our stockholders last voted on such matter at our annual meeting in 2014 and approved, on an advisory (non-binding) basis and with over 99% of the votes cast in favor of the proposal, the compensation of our named executive officers. The Compensation Committee considered the favorable vote results from the 2011 and 2014 annual meetings in establishing NI's compensation program for 2016.

Compensation Terms for New Chief Executive Officer

In August 2016, the NI Board appointed Alexander M. Davern as President and Chief Executive Officer, effective January 1, 2017. Mr. Davern succeeded Dr. James Truchard, who retired as President and Chief Executive Officer effective as of December 31, 2016. In connection with Mr. Davern's appointment, NI entered into an employment agreement with Mr. Davern (the CEO Agreement). Under the CEO Agreement, the initial term of Mr. Davern's employment as President and Chief Executive Officer extends from January 1, 2017 through December 31, 2019, and the term of his employment continues for successive one-year periods thereafter (the Term). In his role as President and Chief Executive Officer, Mr. Davern will receive an annual base salary of \$700,000 which will be reviewed annually by the Compensation Committee. During the Term, Mr. Davern will be eligible to participate in NI's annual incentive program (the AIP) and receive an annual cash bonus. His initial target annual cash incentive shall be 80% of his base salary, subject to subsequent adjustment in accordance with the AIP. As contemplated by the CEO Agreement, in January 2017, Mr. Davern received an initial grant of 150,000 RSUs under NI's 2015 Equity Incentive Plan, which will vest subject to his continued employment with NI (the Initial Award). For each calendar year during the Term, Mr. Davern shall be eligible to receive an additional award of up to 50,000 RSUs beginning in April 2017 (the Annual Awards). In the event Mr. Davern's employment is terminated either by NI without Cause or by Mr. Davern for Good Reason (as such terms are defined in the CEO Agreement), subject to him executing and not revoking a release of claims in favor of NI and meeting other requirements in the CEO Agreement, Mr. Davern will be entitled to receive a cash payment (the Severance Payment) equal to the sum of (i) two times his then-current base salary, (ii) two times his target annual cash incentive for the year of termination, and (iii) an amount equal to the cost of COBRA coverage for 12 months. The Severance Payment is payable over a 24 month period. In addition, Mr. Davern would receive accelerated vesting of the number of RSUs that would have vested if Mr. Davern remained employed for an additional twelve months. If, within 24 months following a Change in Control (as defined in the CEO Agreement), Mr. Davern's employment is terminated by NI without Cause or by Mr. Davern for Good Reason (as such terms are defined in the CEO Agreement), subject to him executing and not revoking a release of claims in favor of NI and meeting other requirements in the CEO Agreement, Mr. Davern shall be entitled to receive the Severance Payment in a lump sum and the accelerated vesting of the number of RSUs granted as part of the Initial Award and the Annual Awards that would have vested if Mr. Davern remained employed for an additional 12 months.

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The foregoing compensation terms and the CEO Agreement were approved by the Compensation Committee, upon the advice of legal counsel and F.W. Cook, in accordance with the powers delegated to the Compensation Committee by the Board. The NI Board considered the recommendation of the Compensation Committee and reviewed the proposed terms of the CEO Agreement and deemed it to be in the best interests of NI and its stockholders to approve the terms of such agreement.

Elements of Executive Compensation

The components of NI's executive compensation for 2016 were as follows:

Base salary;

Annual company cash performance bonus program;

AIP for executives;

Discretionary cash bonus program;

RSU grants; and

Service award cash bonus program.

A significant number of NI's employees participate in the compensation programs enumerated above with the exception of the AIP for executives. In addition, in 2016, NI's Executive Vice President, Global Sales & Marketing participated in a sales bonus plan 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 intended to qualify as a tax-favored employee stock purchase plan under Section 423 of the Internal Revenue Code (Code). The ESPP permits eligible employees to 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. During 2016, NI made 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 eligible compensation. In September 2016, the Compensation Committee approved an increase to the 401(k) matching

formula such that NI will make matching contributions in an amount equal to 50% of the employee's contribution up to 8% of the employee's eligible compensation, effective January 1, 2017. 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

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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. After consideration of the factors described above, the base salaries for Mr. Rust and Mr. Starkloff were increased by an average of approximately 7% in October 2016 in connection with the annual salary review process. At Mr. Davern's request, he did not receive a salary increase in 2016. The overall NI employee base received a weighted average salary increase of 3.4%. The weighted average percentage increase was determined by taking the aggregate percentage increase in the base salaries of all employees as a group. In connection with Mr. Davern's promotion to President and Chief Executive Officer, effective January 1, 2017, he receives an annual base salary of \$700,000 which will be reviewed annually by the Compensation Committee. At his request, NI's former President and Chief Executive Officer, Dr. Truchard received an annual base salary of \$1 in 2016.

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). The Compensation Committee approved amendments to the targets and bonus payment percentages under the Annual Performance Bonus Program for 2016. To receive a payout under the plan, NI must achieve pre-determined goals for revenue growth and profitability. These goals, as provided in the plan, were 20% year over year organic revenue growth and 18% non-GAAP 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 payments made under 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, officers and fellows was determined by multiplying 25% by two variables: NI's actual organic revenue growth percentage divided by the targeted level of revenue growth of 20%; and NI's actual non-GAAP operating profit as a percentage of revenue (limited by a cap) divided by the target non-GAAP operating profit of 18%. The bonus payments percentage for regular full-time and part-time employees was determined in the same manner except that the multiplier was 10% not 25%. Expressed as a formula, the bonus calculation for executives follows:

Calendar Year Non-GAAP Operating Profit%

(not to exceed 20% for payout

Calendar Year Organic

$$\begin{array}{ccccccc} \text{Revenue Growth} & & X & & \text{purposes)} & & X & 25\% & = & \text{Bonus Percentage} \\ 20\% & & & & 18\% & & & & & \end{array}$$

For fiscal 2016, in accordance with the foregoing formula, none of NI's named executives received individual payments under the Annual Performance Bonus Program. Amounts under the Annual Performance Bonus Program are customarily made in two payments, one in the fourth quarter and the other upon 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 fellows participate. Dr. Truchard, NI's former President and Chief Executive Officer, did not participate in the program in 2016. Under this program, payments are made to executive officers based upon the achievement of individual performance criteria and NI business goals as 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

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AIP and the AIP goals are determined annually. The amount of cash bonus under the AIP ultimately paid depends on the extent to which the performance goals of each executive are achieved, in each case subject to adjustment at the discretion of the Compensation Committee.

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.

In February 2016, the Compensation Committee approved an amendment to the AIP to provide that incentive bonuses under the AIP are defined as a percentage (with a target of up to 60% for Executive Vice Presidents, a target of up to 40% for Senior Vice Presidents and a target of up to 25% for Vice Presidents and Fellows) of a participant's salary (or, in the case of executives in the sales organization, salary plus targeted commission), based upon attainment of objectives approved in accordance with the AIP. For 2016, the target bonus under the AIP for each of Mr. Davern, Mr. Starkloff, and Mr. Rust was 60%, 40% and 40% of his base salary, respectively. Under the terms of the AIP, the actual bonus amount to be paid to AIP participants can be more or less than the target bonus based on the nature of the objectives, the performance of the participant relative to such objectives and the discretion of the Compensation Committee. 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 four to 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 by NI's President for approval by the Compensation Committee, except the objectives for the President which are to be set by the Compensation Committee. 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, the Compensation Committee met to determine whether the objectives of each executive officer were attained and then approved or disapproved the payment of the annual incentive amounts based upon the achievement of such objectives and the discretion of the Compensation Committee. The Compensation Committee has 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 Compensation Committee believes that such payment is appropriate to achieve the objectives of the program. However, no discretion was applied by the Committee to the payment of AIP bonuses to named executive officers for achievement of AIP objectives for 2016.

In January 2017, the Compensation Committee approved amendments to the AIP to provide for the participation of NI's new president (Mr. Davern) in the AIP, remove the specific bonus target percentages for participants from the plan, and make certain other changes.

For fiscal 2016, NI made cash bonus payments to named executives under the AIP that ranged from approximately \$67,270 to \$173,360 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 the following calendar year. The payment of an Estimated Payment is subject to reconciliation after NI's 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 is made to such participant. If the Estimated Payment is more than the final amount due to the AIP participant, such participant shall remit to NI the amount of the overpayment. For fiscal 2016, no such Estimated Payment was made.

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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 2016 for each of the named executives, except Dr. Truchard, NI's former President and Chief Executive Officer, who did not participate in the program in 2016:

2016 ANNUAL INCENTIVE PROGRAM GOALS AND AWARDS**FOR THE NAMED EXECUTIVES****Alexander Davern, President and Chief Executive Officer (effective January 1, 2017)****Formerly Chief Operating Officer, Chief Financial Officer,****Executive Vice President and Treasurer (during 2016)****% Goal**

	2016 Officer Bonus Goals (1)	Weighting	Goal Value (2)	2016 Actual Payout
1)	Achieve targeted revenue growth goals	25%	\$ 82,500	\$ 11,664
2)	Achieve operating margin goal	25%	\$ 82,500	\$
3)	Achieve gross margin goal	20%	\$ 66,000	\$ 65,914
4)	Achieve cost reduction target	10%	\$ 33,000	\$ 41,250
5)	Achieve employee retention goal	10%	\$ 33,000	\$ 29,783
6)	Ensure expenses are within budget	10%	\$ 33,000	\$ 24,750
	Total	100%	\$ 330,000	\$ 173,360

- (1) NI is not disclosing the specific target levels with respect to performance goals because such information represents confidential trade secrets or confidential commercial or financial information, the disclosure of which would cause NI competitive harm. The performance goals were set to be moderately difficult, or stretch goals, but not unachievable.
- (2) The goals in items 1), 2), and 4) above contained incremental payout thresholds and an increased payout if actual results attained exceed the targeted 100%. In such instance, the maximum amount payable to Mr. Davern would have been \$379,500.

Eric Starkloff, Executive Vice President, Global Sales and Marketing**% Goal**

	2016 Officer Bonus Goals (1)	Weighting	Goal Value (2)	2016 Actual Payout
1)	Achieve targeted revenue growth goals	45%	\$ 72,000	\$ 52,621
2)	Achieve targeted opportunity generation goals	25%	\$ 40,000	\$ 18,479
3)	Achieve operating margin goal	10%	\$ 16,000	\$
4)	Employee Retention	10%	\$ 16,000	\$ 14,440
5)	Ensure expenses are within budget	10%	\$ 16,000	\$ 16,000
	Total	100%	\$ 160,000	\$ 101,540

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

- (2) The goals in items 1), 2), and 3) above contained incremental payout thresholds and an increased payout if actual results attained exceed the targeted 100%. In such instance, the maximum amount payable to Mr. Starkloff would have been \$186,000.

Table of Contents**Scott Rust, Senior Vice President, Global Research & Development**

		% Goal	2016 Actual	
2016 Officer Bonus Goals (1)		Weighting	Goal Value (2)	Payout
1)	Achieve targeted revenue growth goals	30%	\$ 39,600	\$ 13,997
2)	Achieve operating margin goal	10%	\$ 13,200	\$
3)	Achieve critical projects goals	30%	\$ 39,600	\$ 23,760
4)	Achieve quality goals	10%	\$ 13,200	\$ 11,000
5)	Achieve employee retention goal	10%	\$ 13,200	\$ 11,913
6)	Ensure expenses are within budget	10%	\$ 13,200	\$ 6,600
Total		100%	\$ 132,000	\$ 67,270

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

(2) The goals in items 1) and 2) above contained incremental payout thresholds and an increased payout if actual results attained exceed the targeted 100%. In such event, the maximum amount payable to Mr. Rust would have been \$145,200.

In assessing performance against the objectives for each named executive participating in the AIP, the Compensation Committee considered the actual results for 2016 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, The Compensation Committee approved a cash payment for each named executive. As set forth under the column heading 2016 Actual Payout, the actual payouts to NI's named executive officers ranged from 46% to 55% of the maximum amount they were eligible to receive under the AIP in 2016.

Sales Commission Program Applicable to Executive Vice President, Global Sales & Marketing. On January 27, 2015, the Compensation Committee approved a bonus arrangement for Mr. Starkloff, NI's Executive Vice President, Global Sales and Marketing. Under this arrangement, Mr. Starkloff was eligible to receive a cash bonus of \$12,500 per quarter if NI's quarterly revenue equaled 100% of the targeted amount for such quarter. If NI's revenue for a quarter was less than the targeted amount, the total bonus amount for that quarter would decrease provided that no bonus amount was payable for the quarter unless NI's revenue for the quarter exceeded the minimum threshold amount for such quarter. If NI's revenue for a quarter exceeded the targeted amount for that quarter, the total bonus amount for the quarter would increase up to a maximum of \$25,000 per quarter. NI is not disclosing the specific targets or threshold amounts with respect to such bonus arrangement because such information represents confidential trade secrets or confidential commercial or financial information, the disclosure of which would cause NI competitive harm. The targeted revenue amounts were set to be a moderately difficult stretch goal, but not unachievable. Under this sales bonus plan, Mr. Starkloff earned for 2016 an aggregate of \$48,338, which represented approximately 97% of the targeted annual amount.

Discretionary Cash Bonus Program

NI maintains a discretionary cash performance bonus program under which all employees, including executives, are eligible to receive awards in recognition of performance or a special achievement that is not covered by NI's other

compensation programs. Awards under this program vary based on the nature of the recognition event. 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. The average award under this program in 2016 was approximately \$1,454. During 2016, none of the named executives received an award under this program. NI's President does not participate in this program.

Table of Contents***Restricted Stock Unit (RSU) Awards***

Determining the Overall Level of Equity Compensation Awards. NI uses equity compensation to incentivize key employees. In 2016, approximately 29% 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 2016, NI granted a total of 759,550 RSUs to all employees, which represented 0.59% of NI's shares outstanding at December 31, 2016. Of such amount, a total of 65,000 RSUs were granted to NI's named executives in April 2016, representing 8.2% of all RSUs granted in 2016.

RSUs granted to executives vest over a period of ten years, subject to acceleration based on NI's performance. For 2016, these executive RSU grants were subject to an additional performance-based goal that required that during the period beginning April 1, 2016 and ending June 30, 2016, NI's non-GAAP operating income divided by NI's net sales had to be equal to or greater than a target percentage, and if such target was not met, all of the RSUs subject to such executive awards would be forfeited. Based on NI's actual performance for such period, the performance goal was met and the RSUs will vest in accordance with the other vesting provisions of such award. Expressed as a formula, the acceleration amount for RSU grants under the 2005 Plan and the 2010 Plan to executives is as follows:

$$\begin{array}{rcccl}
 & & \text{Calendar Year} & & \\
 & & \text{Non-GAAP} & & \\
 \text{Calendar Year} & & \text{Operating Profit} & & \\
 \text{Organic} & & (\text{not to exceed } 18\% & & \text{Shares} \\
 \text{Revenue Growth} & \times & \text{for payout purposes)} & \times & \text{Granted} & = & \text{Shares Accelerated} \\
 40\% & & 18\% & & 10 & &
 \end{array}$$

Expressed as a formula, the acceleration amount for RSU grants to executives under the 2015 Plan is as follows:

$$\begin{array}{rcccl}
 & & \text{Calendar Year} & & \\
 & & \text{Non-GAAP} & & \\
 \text{Calendar Year} & & \text{Operating Profit} & & \\
 \text{Organic} & & (\text{not to exceed } 18\% & & \text{Shares} \\
 \text{Revenue Growth} & \times & \text{for payout purposes)} & \times & \text{Granted} & = & \text{Shares Accelerated} \\
 20\% & & 18\% & & 10 & &
 \end{array}$$

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, labor market dynamics, the relative importance of retaining each executive, 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. The Compensation Committee reviews general compensation trends and practices in the technology industry, including pay levels and programs provided by comparable companies as represented in the Radford survey.

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

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held in the second quarter of the year. RSU grants to new employees were issued four times in 2016 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 former President and Chief Executive Officer, Dr. Truchard, is one of NI's largest stockholders. 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 securities. NI prohibits executives from holding NI securities in a margin account and prohibits the purchase or sale of exchange traded options on its stock by executives.

Type of Equity Awards. In May 2015, the NI stockholders approved the 2015 Incentive Plan, including approval of its material terms and performance goals for purposes of qualifying awards under the plan as performance-based compensation under Section 162(m) of the Internal Revenue Code (the Code). The NI Board of Directors had approved the 2015 Incentive Plan in January 2015, subject to stockholder approval. The 2015 Incentive Plan provides for the grant of restricted stock and RSUs. Those eligible for awards under the 2015 Incentive Plan include NI employees, directors and consultants and employees and consultants of any parent or subsidiary of NI.

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. Under this program, upon achieving a five-year