NATIONAL INSTRUMENTS CORP /DE/
Form DEF 14A
April 04, 2005

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

SCHEDULE 14A

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

Filed by the Registrant [X]
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))**
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Section 240.14A-11(c) or Section 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):

[X] No fee required.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Dear Fellow Stockholders:

You are cordially invited to attend our Company s annual meeting on Tuesday, May 10th, 2005, at 9:00 a.m. local time at our Corporate Headquarters, 11500 North Mopac Expressway, Building C, Austin, Texas 78759.

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

Proposal on Employee Compensation

National Instruments has had a broad-based equity compensation plan in effect since 1994. The Amended and Restated 1994 Incentive Plan (the 1994 Incentive Plan) is currently due to expire in May of this year. The Board of Directors (the Board) believes that offering a broad-based equity compensation program is important to attract, retain and motivate people whose skills and performance are critical to the Company s success. We believe that employees with a stake in the future success of our business become more highly motivated to achieve our long-term business goals and increase stockholder value. We believe our 1994 Incentive Plan has served the interests of our stockholders, the Company and our employees.

The purpose of Proposal Two is to replace our expiring 1994 Incentive Plan with a new 2005 Incentive Plan and to authorize sufficient additional shares to allow the Company to continue to provide new hires, employees and management with equity based compensation for the next five years.

In considering Proposal Two, we ask you to consider that our 2005 Incentive Plan limits the Company s ability to offer equity compensation to restricted stock and restricted stock units only. The Board recommends the switch from the use of stock options, which the Company has used since its IPO in 1995, to restricted stock and restricted stock units for the following reasons:

1. Under the new accounting rules issued in December 2004 by the Financial Accounting Standards Board (FASB) the Company believes that the income statement expense for restricted stock and restricted stock units is more meaningful and is easier for stockholders to understand than that for stock options.

2. Under FASB s new rule, the Company expects to have a more predictable tax rate from the use of restricted stock and restricted stock units, compared to stock options.

3. The Board believes that restricted stock and restricted stock units will be effective in attracting, retaining and motivating key employees to work for the long-term success of the Company.

4. Restricted stock and restricted stock units are expected to result in less dilution of existing stockholder interests than stock options under the Company s planned issuance formula.

In considering Proposal Two, we would ask you to review the Company s history in the use of equity-based compensation. We are proud of our prudent use of the 1994 Incentive Plan to balance stockholder concerns with motivation of our employees to achieve the Company s business goals and create long-term stockholder value. Our philosophy with respect to employee compensation is to provide employees with equity participation that is linked to the Company s growth rate, while being sensitive to the dilutive impact of this compensation on other stockholders. In connection with this philosophy, the number of options issued each year by the Company has been related to our revenue growth rate of the prior year. The following table shows the relationship between all stock options issued and the Company s revenue performance over the past five years.

	2000	**2001**	**2002**	**2003**	**2004**
Revenue Growth (prior year)	20.20%	24.40%	-6.10%	1.40%	9.00%
Stock Options issued in plan year	2,166,147	2,281,271	476,093	675,207	1,262,599
% of Outstanding Shares	2.9%	3.0%	0.6%	0.9%	1.6%
Outstanding Shares	75,498,000	76,365,000	76,828,500	77,437,500	78,680,000

Under the 2005 Incentive Plan, the Compensation Committee of the Board will continue to follow the same general principles for grants of restricted stock and restricted stock units that it has previously applied in issuing stock options, but in lesser numbers than for options. This will ensure the continued relationship between the amount of equity-based compensation provided and the Company s revenue growth rate.

The 2,700,000 shares that we propose to add to the 2005 Incentive Plan represent approximately 3% of our total shares outstanding as of March 14, 2005. We plan to award restricted stock or restricted stock units on merit broadly throughout the Company. Approximately 94% of all regular, full-time exempt employees have received equity based compensation. Furthermore, restricted stock or restricted stock units will be a significant component of our long-term employee compensation, because we do not sponsor a defined-benefit pension plan and we do not include Company stock in our 401(k) plan.

Based on the 4-week moving average as of March 16, 2005, our Company s stock price has increased at a compound annual growth rate of approximately 20% versus approximately 12% for the Nasdaq Composite Index and approximately 11% for the Russell 2000 Index since the Company s stock became publicly traded in 1995. From the end of 1999 through year-end 2004, our stock has increased 8% compared to a negative 46% for the Nasdaq Composite Index and an increase of 29% for the Russell 2000 Index.

For the past six consecutive years, National Instruments has been named as One of the 100 Best Companies To Work For In America by Fortune Magazine. Our Company s employee turnover rate (the annual loss of employees) is approximately one-half that of other high technology companies according to Radford Surveys, a leading human resources survey company in the high-tech industry. We take great pride in these accomplishments and believe that our utilization of equity-based compensation has contributed significantly to this success and to the significant stockholder returns generated by the Company since its IPO in 1995.

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

For these reasons, I urge you to read both the summary contained in Proposal Two of the 2005 Incentive Plan on page 20 and the complete 2005 Incentive Plan on page A-1 and to support Proposal Two on the agenda.

Summary

Our Board has unanimously recommended that stockholders vote for Proposal Two. Your vote is very important to us. As our company s largest individual stockholder, I also urge you personally to vote FOR Proposal Two. Please review the proxy materials carefully and send in your vote today.

Sincerely,

/s/ James J. Truchard

James J. Truchard
Chairman, President

NATIONAL INSTRUMENTS CORPORATION

Notice of Annual Meeting of Stockholders

May 10, 2005

TO THE STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the 2005 Annual Meeting of Stockholders (the Annual Meeting) of National Instruments Corporation, a Delaware corporation (the Company), will be held on May 10, 2005, at 9:00 a.m. local time, at the Company s principal executive offices located at 11500 North Mopac Expressway, Building C, Austin, Texas, 78759 for the following purposes as more fully described in the Proxy Statement accompanying this Notice:

1. To elect two directors to the Board of Directors for a term of three years.

2. To approve the Company s 2005 Incentive Plan, including approval of its material terms and performance goals for purposes of Internal Revenue Code Section 162(m).

3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on March 14, 2005, are entitled to receive notice of and to vote at the meeting.

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

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

Sincerely,

David G. Hugley
Secretary

Austin, Texas
April 4, 2005

NATIONAL INSTRUMENTS CORPORATION

PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of National Instruments Corporation, a Delaware corporation (the Company), for use at its 2005 Annual Meeting of Stockholders (the Annual Meeting) to be held on May 10, 2005, at 9:00 a.m., local time, or at any adjournments or postponements thereof, for the purposes set forth in this Proxy Statement and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the Company s principal executive offices at 11500 North Mopac Expressway, Building C, Austin, Texas 78759. The Company s telephone number is (512) 338-9119.

These proxy solicitation materials were mailed on or about April 4, 2005 to all stockholders entitled to vote at the Annual Meeting.

Record Date; Outstanding Shares

Stockholders of record at the close of business on March 14, 2005 (the Record Date), are entitled to receive notice of and vote at the Annual Meeting. On the Record Date, 79,314,693 shares of the Company s common stock, $.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 or item that comes before the Annual Meeting. In the election of directors, each stockholder will be entitled to vote for two nominees and the two nominees with the greatest number of votes will be elected.

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

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

Treatment of Abstentions and Broker Non-Votes

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

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

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

Revocability of Proxies

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

Deadline for Receipt of Stockholder Proposals

Stockholders of the Company may submit proper proposals for inclusion in the Company s proxy statement and for consideration at the annual meeting of stockholders to be held in 2006 by submitting their proposals in writing to the Secretary of the Company in a timely manner. In order to be considered for inclusion in the Company s proxy materials for the annual meeting of stockholders to be held in 2006, stockholder proposals must be received by the Secretary of the Company no later than December 5, 2005, and must otherwise comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act).

In addition, the Company s bylaws establish an advance notice procedure with regard to business to be brought before an annual meeting, including stockholder proposals not included in the Company s proxy statement. For director nominations or other business to be properly brought before the Company s 2006 Annual Meeting by a stockholder, such stockholder must deliver written notice to the Secretary of the Company at the Company s principal executive office no later than February 3, 2006 and no earlier than January 4, 2006. If the date of the Company s 2006 Annual Meeting is advanced or delayed by more than 30 calendar days from the first anniversary date of the 2005 Annual Meeting, your notice of a proposal will be timely if it is received by the Company by the close of business on the tenth day following the day the Company publicly announces the date of the 2006 Annual Meeting.

The proxy grants the proxy holders discretionary authority to vote on any matter raised at the Annual Meeting. If such a stockholder fails to comply with the foregoing notice provisions, proxy holders will be allowed to use their discretionary voting authority on such matter should the stockholder proposal come before the 2006 Annual Meeting.

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

PROPOSAL ONE:
ELECTION OF DIRECTORS

General

The Company s Board of Directors is divided into three classes, with the term of office of one class expiring each year. The Company currently has seven directors, two directors in Class I, two directors in Class II, and three directors in Class III. The terms of office of Class II directors Jeffrey L. Kodosky and Donald M. Carlton will expire at the 2005 Annual Meeting. Mr. Kodosky and Dr. Carlton will stand for re-election to the Board of Directors at the 2005 Annual Meeting. The terms of office of Class III directors Ben G. Streetman, R. Gary Daniels and Duy-Loan T. Le will expire at the 2006 Annual Meeting. The terms of office of Class I directors James J. Truchard and Charles J. Roesslein will expire at the 2007 Annual Meeting. At the 2005 Annual Meeting, stockholders will elect two directors for a term of three years. After the election at the 2005 Annual Meeting, there will be seven directors, with two directors in two classes and three directors in one class.

Vote Required

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

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

Nominees for Election at the Annual Meeting

The Nomination and Governance Committee, consisting solely of independent directors as determined under the rules of the Nasdaq National Market, recommended the two directors set forth in Proposal One for nomination by our full Board of Directors. Based on that 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, position with the Company and business experience.

Name of Nominee	Age	Position/Principal Occupation	Director Since
Jeffrey L. Kodosky	55	Director; Fellow of the Company	1976
Donald M. Carlton (1) (2)	67	Director; Former President and Chief Executive Officer of Radian International LLC	1994

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

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

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

Incumbent Directors Whose Terms of Office Continue After the Annual Meeting

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

Name of Director	Age	Position/Principal Occupation	Director Since
Ben G. Streetman (1) (2) (3)	65	Director; Dean, College of Engineering at the University of Texas at Austin	1997
R. Gary Daniels (1) (2) (3)	67	Director; Former Senior Vice President and General Manager of the Microcontroller Technologies Group, Motorola, Inc.	1999
Duy-Loan T. Le (2) (3)	42	Director; Senior Fellow of Texas Instruments, Inc.	2002
James J. Truchard	61	Chairman of the Board of Directors and President of the Company	1976
Charles J. Roesslein (1) (2) (3)	56	Director; Former Chairman of the Board of Directors and President of Prodigy Communications Corporation	2000

(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Nomination and Governance Committee

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

R. Gary Daniels has been a member of the Company s Board of Directors since 1999. Mr. Daniels retired in 1997 from his position as Senior Vice President and General Manager of the Microcontroller Technologies Group of Motorola, Inc. after a 32 year career with Motorola. Mr. Daniels has a bachelor s degree in Electrical Engineering from the University of New Mexico.

Duy-Loan T. Le has been a member of the Company s Board of Directors since September 2002. During her continuing 20-year career at Texas Instruments, Inc. (TI), in 2002, Ms. Le became the first woman at TI elected to the rank of Senior Fellow. Since 2000, she has been Digital Signal Processor (DSP) Advanced Technology Ramp Manager at TI, with responsibilities which include assisting with product execution on advanced technology nodes such as 180nm, 130nm and 90nm. Ms. Le has been awarded 20 patents and has 9 pending applications. She holds a bachelor s degree in Electrical Engineering from UT Austin and a master s degree in Business Administration from the University of Houston.

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

Charles J. Roesslein has been a member of the Company s Board of Directors since July 2000. From 2004 to 2005, he served as Chief Executive Officer of Austin Tele-Services, LLC, which is in the secondary market for telecom and IT assets. During 2000, Mr. Roesslein served as the Chairman of the Board of Directors and President of Prodigy Communications Corporation, an internet service provider. He served as President of SBC-CATV, a cable television service provider, from 1999 until 2000, and as President of SBC Technology Resources, the applied research division of SBC Communications Inc., from 1997 until 1999. Prior to 1997, Mr. Roesslein served in executive officer positions with SBC Communications, Inc. and Southwestern Bell. Mr. Roesslein holds a bachelor s degree in Mechanical Engineering from the University of Missouri-Columbia and a master s degree in Finance from the University of Missouri-Kansas City. Mr. Roesslein is currently a director of the following publicly traded companies: Atlantic Tele-Network, Inc. and Quovadx Inc.

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

Security Ownership

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

Name of Person or Entity	Number of Shares (1)	Approximate Percentage Owned (2)
James J. Truchard 11500 North Mopac Expressway Austin, Texas 78759	18,399,341 (3)	23.2%
Jeffrey L. Kodosky 11500 North Mopac Expressway Austin, Texas 78759	5,108,586 (4)	6.4%
Capital Research and Management Company 333 South Hope Street Los Angeles, California 90071	6,141,670 (5)	7.7%
FMR Corp. 82 Devonshire Street Boston, Massachusetts 02109	5,825,119 (6)	7.3%
R. Gary Daniels	33,510 (7)	*
Ben G. Streetman	84,978 (8)	*
Donald M. Carlton	72,639 (9)	*
Charles J. Roesslein	39,294 (10)	*
Duy-Loan T. Le	19,916 (11)	*
Peter Zogas, Jr	180,374 (12)	*

Name of Person or Entity	**Number of Shares (1)**	**Approximate Percentage Owned (2)**
Timothy R. Dehne	161,614 (13)	*
Alexander M. Davern	127,436 (14)	*
John Graff	153,609 (15)	*
All executive officers and directors as a group (15 persons)	24,736,637 (16)	30.8%

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

(1) Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable.

(2) For each individual and group included in the table, percentage owned is calculated by dividing the number of shares beneficially owned by such person or group as described above by the sum of the 79,314,693 shares of common stock outstanding on March 14, 2005 and the number of shares of common stock that such person or group had the right to acquire on or within 60 days of March 14, 2005, including shares issuable upon the exercise of options.

(3) Includes 1,489,875 shares held by a trust for which Dr. Truchard is the trustee and 143,925 shares held by a non-profit corporation of which Dr. Truchard is president.

(4) Includes an aggregate of 1,455,930 shares held in two trusts for the benefit of Mr. Kodosky s daughters for which Mr. Kodosky is the trustee; includes 494,630 shares held by a non-profit corporation of which Mr. Kodosky is president and his wife, Gail T. Kodosky, is secretary; includes 160,650 shares held by a charitable remainder trust for the benefit of Mr. Kodosky and his wife; includes 13,500 shares held in a charitable remainder trust for the benefit of Mr. Kodosky s brother of which Mr. Kodosky is the sole trustee with investment power over the securities held therein; includes an aggregate of 90,501 shares held in 20 trusts for non-immediate family members of Mr. Kodosky of which Mr. Kodosky is the sole trustee with investment power over the securities held therein; and includes 1,446,688 shares owned by his wife. Mr. Kodosky disclaims beneficial ownership of the shares owned by his wife. (Cumulatively, Jeffrey and Gail Kodosky control and/or beneficially own a total 5,108,586 shares.)

(5) The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC on February 14, 2005, reflecting beneficial ownership as of December 31, 2004. The Schedule 13G/A states that Capital Research and Management Company has sole investment power with respect to 6,141,670 shares of common stock, no sole voting power and no shared voting power.

(6) The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC on February 14, 2005, reflecting beneficial ownership as of December 31, 2004. The Schedule 13G/A states that FMR Corp. has sole voting power with respect to 1,003,492 shares of common stock and sole investment power with respect to 5,825,119 shares of common stock and no shared voting power.

(7) Includes 30,491 shares subject to options exercisable on or within 60 days of March 14, 2005.

(8) Includes 83,291 shares subject to options exercisable on or within 60 days of March 14, 2005.

(9) Includes 67,934 shares subject to options exercisable on or within 60 days of March 14, 2005.

(10) Includes 36,791 shares subject to options exercisable on or within 60 days of March 14, 2005, and includes an aggregate of 1,000 shares held in two UMGA accounts for the benefit of Mr. Roesslein s children for which Mr. Roesslein is the custodian.

(11) Includes 19,916 shares subject to options exercisable on or within 60 days of March 14, 2005.

(12) Includes 100,273 shares subject to options exercisable on or within 60 days of March 14, 2005.

(13) Includes 86,766 shares subject to options exercisable on or within 60 days of March 14, 2005.

(14) Includes 124,603 shares subject to options exercisable on or within 60 days of March 14, 2005.

(15) Includes 111,426 shares subject to options exercisable on or within 60 days of March 14, 2005.

(16) Includes 899,300 shares subject to options exercisable on or within 60 days of March 14, 2005.

Board Meetings and Committees

The Board of Directors of the Company held a total of 11 meetings during 2004. During 2004, the Board of Directors had a standing Audit Committee, Compensation Committee, and Nomination and Governance Committee.

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

Stockholders may communicate with members of the Board of Directors by mail addressed to the Chairman, any other individual member of the Board, to the full Board, or to a particular committee of the Board. In each case, such correspondence should be sent to the following address: 11500 North Mopac Expressway, Building B, Austin, Texas 78759, attention: Corporate Secretary. Correspondence received that is addressed to the members of the Board of the Directors will be reviewed by the Company s general counsel or his designee, who will forward such correspondence to the appropriate members of the Board of the Directors.

Audit Committee

The Audit Committee, which currently consists of directors Donald M. Carlton, Ben G. Streetman, R. Gary Daniels and Charles J. Roesslein, met 13 times during 2004. The Audit Committee appoints, compensates, retains and oversees the engagement of the Company s independent accountants, reviews with such accountants the plan, scope and results of their examination of the Company s consolidated financial statements and reviews the independence of such accountants. The Audit Committee inquires about any significant risks or exposures and assesses the steps management has taken to minimize such risk to the Company, including the adequacy of insurance coverage and the strategy for management of foreign currency risk. The Audit Committee also reviews the Company s compliance with matters relating to antitrust, environmental, Equal Employment Opportunity Commission, export and SEC regulations. The Audit Committee has established procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and for Company employees to submit concerns regarding such matters on a confidential and anonymous basis. The Board of Directors believes that each member of the Audit Committee is an independent director as that term is defined by the Nasdaq listing standards and Rule 10A-3 of the Securities Exchange Act of 1934. The Board of Directors has determined that each of Dr. Carlton and Mr. Roesslein is an audit committee financial expert within the meaning of SEC rules.

Compensation Committee

The Compensation Committee, which currently consists of directors R. Gary Daniels, Ben G. Streetman, Charles J. Roesslein and Duy-Loan T. Le, each of whom is deemed to be an independent director as that term is defined by the Nasdaq listing standards, met 8 times during 2004. The Compensation Committee sets the level of compensation of the Company s executive officers and advises management with respect to compensation levels for employees. The Compensation Committee also administers the Company s 1994 Amended and Restated Incentive Plan, Employee Stock Purchase Plan and if approved by stockholders, the 2005 Incentive Plan.

Nomination and Governance Committee

The Nomination and Governance Committee, which currently consists of directors Donald M. Carlton, Ben G. Streetman, R. Gary Daniels, Charles Roesslein and Duy-Loan T. Le, each of whom is deemed to be an independent director as that term is defined by the Nasdaq listing standards, met twice during 2004. The Nomination and Governance Committee recommends to the Board of Directors the selection criteria for board members, compensation of outside directors, appointment of board committee members and committee chairmen, and develops board governance principles. The Nomination and Governance Committee will consider nominees recommended by stockholders provided such recommendations are made in accordance with procedures described in this Proxy Statement under Deadline for Receipt of Stockholder Proposals. When considering a potential director candidate, the Nomination and Governance Committee looks for demonstrated character, judgment, relevant business, functional and industry experience, and a high degree of acumen. The Nomination and Governance Committee s process for identifying and evaluating nominees typically involves a series of internal discussions, review of information concerning candidates and interviews with selected candidates. There are no differences in the manner in which the Nomination and Governance Committee evaluates nominees for director based on whether the nominee is recommended by a stockholder. The Company does not pay any third party to identify or assist in identifying or evaluating potential nominees. The charter of the Nomination and Governance Committee is available on the Company s website at http://www.ni.com/nati/corporategovernance/composition_charters.htm.

Board Compensation

Non-employee directors are paid a $15,000 annual retainer, $1,500 for each Board meeting attended in person, $1,000 for each committee meeting attended in person, $150 for each Board or committee meeting attended telephonically, and reimbursement of out-of-town travel expenses. Since 1997, non-employee directors have not received automatic annual option grants although they may still exercise options previously granted to them and are currently eligible to receive discretionary option grants under the terms of the Company s Amended and Restated 1994 Incentive Plan. In 2004, each non-employee director received a grant of options to purchase 10,000 shares of the Company s common stock. If the 2005 Incentive Plan is approved by the Company s stockholders, the directors will be eligible to receive awards under such plan. Employee directors of the Company do not receive any additional compensation for services provided as a director.

Executive Officers

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

Name of Executive Officer	Age	Position
James J. Truchard	61	Chairman of the Board of Directors and President
Timothy R. Dehne	39	Senior Vice President, Research and Development
Peter Zogas, Jr	44	Senior Vice President, Sales and Marketing
Alexander M. Davern	38	Chief Financial Officer; Senior Vice President, IT and Manufacturing Operations; and Treasurer
Mark A. Finger	47	Vice President, Human Resources
John M. Graff	40	Vice President, Marketing, Customer Operations and Investor Relations
Raymond C. Almgren	39	Vice President, Product Marketing and Academic Relations
David G. Hugley	41	Vice President and General Counsel; Secretary
Robert R. Porterfield	38	Vice President, Manufacturing

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

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

Peter Zogas, Jr. joined the Company in 1985 and currently serves as Senior Vice President, Sales and Marketing. He previously served as the Company s Vice President, Sales from July 1996 to December 2002. His earlier positions with the Company include National Sales Manager, Business Development Manager, Regional Sales Manager, and Sales Engineer. Prior to joining the Company, Mr. Zogas worked as an engineer at TI and, prior to that, at AT&T. Mr. Zogas received his bachelor s degree in Electrical Engineering from Drexel University.

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

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

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

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

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

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

Executive Compensation

Summary Compensation Table. The following table shows the compensation paid by the Company during the years ended December 31, 2004, 2003, and 2002 to the Company s Chief Executive Officer and the four other most highly compensated executive officers of the Company whose total salary and bonus exceeded $100,000 (collectively, the Named Executive Officers):

		Annual Compensation		Long-Term Compensation Awards	
Name and Principal Position	**Year**	**Salary**	**Bonus (1)**	**Securities Underlying Options (# of Shares)**	**All Other Compensation(2)**
Dr. James J. Truchard	2004	$ 200,000	$ 29,400		$ 6,650
Chairman of the Board and President	2003	198,250	12,292		6,431
	2002	190,899	1,527		5,876
Alexander M. Davern	2004	242,500	36,648(3)	20,000	6,456
Chief Financial Officer; Senior Vice	2003	216,667	13,433	12,000	5,998
President, IT and Manufacturing	2002	186,963	1,496		5,042
Operations; Treasurer					
Timothy R. Dehne	2004	227,500	34,643(4)	20,000	6,894
Senior Vice President, Research and	2003	208,750	12,943	12,000	6,442
Development	2002	185,713	2,486(5)		5,865
Peter Zogas, Jr	2004	233,551	34,332	20,000	6,894
Senior Vice President, Sales and	2003	210,098	13,026	12,000	6,254
Marketing	2002	191,267	1,530		30,876(6)
John M. Graff	2004	197,500	30,033(5)	10,000	6,344
Vice President, Marketing, Customer	2003	180,833	12,212(5)	(3,194,567)	72,947,240

Pooled Funds		131,732	8,644,492
Net realized and unrealized (depreciation) appreciation	$	(13,406,361)	112,333,529
Dividends		6,942,980	4,457,733
Net investment (loss) income	$	(6,463,381)	116,791,262

The Master Trust categorizes its assets and liabilities into one of three levels based on the assumptions (inputs) used in valuing the asset or liability. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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The Master Trust s investments in Common Stock and registered investment securities are classified as Level 1 assets in the fair value hierarchy, while the Master Trust s investments in common collective trusts and pooled funds are classified as Level 2 assets in the fair value hierarchy. Common collective trusts and pooled funds are valued at Net Asset Value (NAV), which is based on the fair value of the underlying securities owned by the fund and divided by the number of shares outstanding. The NAV unit price is quoted on a private market that is not active.

Assets measured at fair value, as of December 31, 2011 and 2010 are summarized below:

December 31, 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	200,867,070			200,867,070
Registered Investment Securities	194,700,457			194,700,457
Common Collective Trusts		123,846,192		123,846,192
Pooled Funds		90,484,097		90,484,097
Total	395,567,527	214,330,289		609,897,816

December 31, 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	211,007,726			211,007,726
Registered Investment Securities	216,205,251			216,205,251
Common Collective Trusts		116,012,014		116,012,014
Pooled Funds		85,415,812		85,415,812
Total	427,212,977	201,427,826		628,640,803

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2011 and 2010.

The following presents investments in the Master Trust as of December 31, 2011 and 2010 that represent 5% or more of the Master Trust s net assets in either year:

Description		**2011**	**2010**
Wells Fargo Stable Value Fund E	$	106,043,767	101,268,883
Fidelity Diversified International Fund			33,825,531
Growth Fund of America		50,201,839	57,928,854

T. Rowe Price Equity Income Fund	37,529,027	
Eaton Vance Large Cap Value I		40,767,149
The Toro Company Common Stock	200,867,070	211,007,726

(6) Federal Income Taxes

The Internal Revenue Service (IRS) has determined and informed the Company by a letter dated February 19, 2008, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, the Company, as the administrator of the Plan, believes that the Plan is designed and is currently being operated in compliance with

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the applicable requirements of the IRC and therefore believes that the Plan is qualified and the related trust is tax-exempt.

U.S. GAAP requires the Plan s sponsor to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company believes that the Plan is no longer subject to income tax examinations for years prior to 2008.

(7) Subsequent Events

The Company evaluated all subsequent events and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

(8) Reconciliation of Differences between these Financial Statements and the Financial Information Required on Form 5500:

		December 31, 2011
Net assets available for benefits as presented in these financial statements	$	3,086,967
Adjustment from contract value to fair value for fully benefit-responsive investment contracts at December 31, 2011		11,085
Net assets available for benefits as presented on Form 5500	$	3,098,052

		Year Ended December 31, 2011
Net decrease in net assets available for benefits as presented in these financial statements	$	(151,027)
Adjustment from contract value to fair value for fully benefit-responsive investment contracts at December 31, 2011		11,085

Adjustment from contract value to fair value for fully benefit-responsive investment contracts at December 31, 2010		(5,701)
Net decrease in net assets available for benefits as presented on Form 5500	$	(145,643)

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

The Toro Company Profit-Sharing Plan for Plymouth Union Employees

Date:	June 26, 2012	By	/s/ Renee J. Peterson
		Renee J. Peterson Vice President Finance and Chief Financial Officer of The Toro Company	

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Exhibit Index

Exhibit Number	Description
23.1	Consent of Independent Registered Public Accounting Firm