

DAKTRONICS INC /SD/
Form DEF 14A
June 22, 2007

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**

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

Daktronics, Inc.

(Name of Registrant as Specified in its Charter)

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

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DAKTRONICS, INC.

331 32nd Avenue
Brookings, South Dakota 57006

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON WEDNESDAY, AUGUST 15, 2007**

Notice is hereby given that the 2007 Annual Meeting of Shareholders (the Annual Meeting) of Daktronics, Inc. (the Company) will be held at the Company's headquarters, 331 32nd Avenue, Brookings, South Dakota 57006 on Wednesday, August 15, 2007, at 7:00 p.m. Central Daylight Time, for the following purposes:

1. To elect three Directors to serve for a three-year term that expires on the date of the Annual Meeting of Shareholders in 2010 or until their successors are duly elected;
2. To approve the 2007 Stock Incentive Plan and to approve 4,000,000 shares as available for issuance under the 2007 Stock Incentive Plan;
3. To ratify the appointment of Ernst & Young LLP, as our independent registered public accounting firm for fiscal year 2008; and
4. To transact such other business as may properly come before the meeting or any adjournments thereof.

Only the shareholders of record of our common stock at the close of business on June 20, 2007 (the Record Date) are entitled to notice of and to vote at the Annual Meeting.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON WEDNESDAY, AUGUST 15, 2007

All shareholders are cordially invited to attend the Annual Meeting in person. However, to ensure your representation at the Annual Meeting, you are urged to vote by proxy either by phone, by Internet or by signing and returning the enclosed proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose. See the instructions on the Proxy Card for your voting options. Any shareholder attending the Annual Meeting may vote in person even if he or she has returned a proxy.

By Order of the Board of Directors,

Carla S. Gatzke
Corporate Secretary

Brookings, South Dakota
June 29, 2007

IMPORTANT: WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE BY PHONE, BY INTERNET OR BY SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE IN THE ENCLOSED ENVELOPE.

Daktronics, Inc.

Table of Contents

	<u>Pages</u>
<u>Procedural Matters</u>	1
<u>Security Ownership of Certain Beneficial Owners and Management</u>	3
<u>Proposal One - Election of Directors</u>	4
<u>Corporate Governance</u>	5
<u>Fiscal 2007 Director Compensation</u>	8
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	9
<u>Compensation Discussion and Analysis</u>	9
<u>Executive Compensation</u>	12
<u>Compensation Committee Report</u>	19
<u>Proposal Two - Approval of the 2007 Stock Incentive Plan and 4,000,000 Shares as Available for Issuance</u>	20
<u>Proposal Three - Ratification of Appointment of Independent Registered Public Accounting Firm</u>	22
<u>Audit Committee Report</u>	23
<u>Householding of Annual Disclosure Documents</u>	24
<u>Available Information</u>	24
<u>Additional Matters</u>	24
<u>Exhibit A - 2007 Stock Incentive Plan</u>	A1

DAKTRONICS, INC.

**PROXY STATEMENT
FOR 2007 ANNUAL MEETING OF SHAREHOLDERS**

PROCEDURAL MATTERS

General

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Daktronics, Inc. (the Company) for use at our Annual Meeting of Shareholders to be held on Wednesday, August 15, 2007 at Daktronics, Inc., 331 32nd Avenue, Brookings, South Dakota at 7:00 p.m. Central Daylight Time, and at any adjournment thereof (the Annual Meeting), for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders.

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These proxy solicitation materials, together with our fiscal year 2007 Annual Report to Shareholders, were mailed on or about July 6, 2007 to all shareholders entitled to vote at the Annual Meeting.

In this Proxy Statement, Daktronics, Company, registrant, we, us and our refer to Daktronics, Inc.

Record Date

Shareholders of record at the close of business on June 20, 2007 (the Record Date) are entitled to notice of and to vote at the meeting. As of the Record Date, there were 39,639,873 shares of our common stock outstanding and entitled to vote held by 498 shareholders of record.

Voting at the Annual Meeting

The holders of a majority of the shares of common stock issued and outstanding and entitled to vote at the 2007 Annual Meeting, present in person or represented by proxy, will constitute a quorum for the transaction of business. If a quorum is not present, the Annual Meeting may be adjourned from time to time until a quorum is present. Abstentions and broker non-votes will be treated as shares that are present and entitled to vote for purposes of determining the presence of a quorum. Each share is entitled to one vote on all matters submitted to a vote. However, with respect to the election of Directors, every shareholder shall have the right to cast a number of votes equal to the number of Directors to be elected at the Annual Meeting multiplied by the number of shares the shareholder is entitled to vote. Shareholders may cast all votes for one nominee or divide the votes as they choose among two or three nominees. Shares abstaining will be treated as not voted. If a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present and entitled to vote with respect to that matter.

Vote Requirements

A plurality of the votes cast is required for the election of directors. This means that the director nominee with the most votes for a particular slot is elected for that slot. Only votes for or withheld affect the outcome. Abstentions are not counted for purposes of the election of directors.

The affirmative vote of a majority of the shares of common stock represented at the Annual Meeting, either in person or by proxy, assuming a quorum is present, is required to approve the proposed 2007 Stock Incentive Plan and to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm. Abstentions and, if applicable, broker non-votes, are not counted as votes for or against these proposals.

How Votes are Submitted

If the shares of our common stock are held directly in the name of the shareholder, he or she can vote on matters to come before the meeting as follows:

- By completing, dating and signing the enclosed proxy and returning it to us in the enclosed postage-paid envelope; or
- By written ballot at the meeting; or
- By phone, by calling 1-800-690-6903; or
- By Internet, at <http://www.proxyvote.com>.

Shareholders whose shares of our common stock are held in street name must either direct the record holder of their shares as to how to vote their shares of common stock or obtain a proxy from the record holder to vote at the meeting. Street name shareholders should check the voting instruction cards used by their brokers or nominees for specific instructions on methods of voting, including by telephone or using the Internet.

Participants in the Daktronics, Inc. 401(k) Plan (the 401(k) Plan) who hold our common stock in the 401(k) Plan are entitled to instruct the trustee of the 401(k) Plan how to vote their shares. Each participant will receive a voting instruction card to direct the trustee to vote his or her shares. If a participant does not timely return a completed voting instruction card, the trustee will vote the shares allocated to that participant in the same proportion as the shares which are voted by all other participants under the 401(k) Plan.

Proxies

All shares entitled to vote and represented by properly executed proxies received before the Annual Meeting will be voted at the Annual Meeting in accordance with the instructions indicated on those proxies, if they are not revoked before the vote as described below. If no instructions are indicated on a properly executed proxy, the shares represented by that proxy will be voted as recommended by the Board of Directors. If any other matters are properly presented for consideration at the Annual Meeting, the proxy holders will have discretion to vote on those matters in accordance with their best judgment.

Revocability of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. A proxy may be revoked by either:

delivering a written notice of revocation or a duly executed proxy bearing a later date, or
attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not itself revoke a proxy).

To be effective, any written notice of revocation or subsequent proxy must be received before the taking of the vote at the Annual Meeting.

Expenses of Solicitation

All expenses of this solicitation, including the cost of preparing and mailing this Proxy Statement, will be borne by us. We may reimburse brokerage firms, custodians, nominees, fiduciaries and other persons representing beneficial owners of stock for their reasonable expenses in forwarding solicitation material to such beneficial owners. Our Directors, officers and employees may also solicit proxies in person or by telephone, e-mail, letter or facsimile. Such Directors, officers and employees will not be additionally compensated, but they may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation.

Procedure for Submitting Shareholder Proposals

Shareholders may present proper proposals for inclusion in our proxy materials for consideration at the next annual meeting of our shareholders by submitting their proposals to us in a timely manner. In order to be included in our proxy materials for the next annual meeting, shareholder proposals must be received by us no later than March 1, 2008 and must otherwise comply with the requirements of Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the Exchange Act).

For any proposal that is not submitted for inclusion in next year's Proxy Statement but is instead sought to be presented directly at the 2008 Annual Meeting of Shareholders, management may vote proxies in its discretion if we: (a) receive notice of the proposal before the close of business on May 15, 2008 and advise shareholders in the 2008 Proxy Statement about the nature of the matter and how management intends to vote on such matter; or (b) do not receive notice of the proposal before the close of business on May 15, 2008. Notices of intention to present proposals at the 2008 Annual Meeting of Shareholders should be addressed to Corporate Secretary, Daktronics, Inc., 331 32nd Avenue, Brookings, South Dakota 57006.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of common stock as of June 20, 2007, the Record Date, by each of our Directors, by each executive officer named in the Summary Compensation Table, by all Directors and executive officers as a group, and by each shareholder who is known by us to own beneficially more than 5% of our outstanding common stock.

<u>Name and Address of Beneficial Owners</u>	<u>Note</u>	<u>Amount and Nature of Beneficial Ownership</u> ⁽¹⁾	<u>Percent of Outstanding Shares</u> ⁽²⁾
Named Officers and Directors:			
Dr. Aelred J. Kurtenbach	(3)	2,841,616	7.0%
James B. Morgan	(4)	1,683,988	4.2%

		Amount and Nature of	Percent of
Frank J. Kurtenbach	(5)	884,715	2.2%
Byron J. Anderson	(6)	8,000	*
Robert G. Dutcher	(7)	44,000	*
Nancy D. Frame	(8)	81,000	*
John L. Mulligan	(9)	40,000	*
Dr. Duane E. Sander	(10)	1,060,792	2.6%
James A. Vellenga	(11)	90,000	*
William R. Retterath	(12)	67,285	*
Reece A. Kurtenbach	(13)	304,696	*
Bradley T. Wiemann	(14)	156,385	*
All Directors and executive officers as a group (12 persons)		7,276,477	18.0%

* Less than 1%.

- (1) For purposes of this table, a person or group of persons is deemed to beneficially own shares issuable upon the exercise of options that are currently exercisable or that become exercisable within sixty days after June 20, 2007.
- (2) Based on 39,639,873 shares of common stock outstanding as of June 20, 2007.
- (3) Includes 223,504 shares issuable pursuant to currently exercisable stock options, 1,280,910 shares owned by spouse and 50,000 shares held in Al and Irene Kurtenbach Foundation.
- (4) Includes 137,200 shares issuable pursuant to currently exercisable stock options, 40,205 shares held through the 401(k) Plan and 5,840 shares held by his children.
- (5) Includes 492 shares held through the 401(k) Plan and 229,490 shares held by his spouse.
- (6) Includes 8,000 shares issuable pursuant to exercisable stock options.
- (7) Includes 44,000 shares issuable pursuant to exercisable stock options.
- (8) Includes 44,000 shares issuable pursuant to exercisable stock options.
- (9) Includes 16,000 shares issuable pursuant to exercisable stock options.
- (10) Includes 88,000 shares issuable pursuant to exercisable stock options, 477,264 shares held in Phyllis A. Sander Living Trust and 485,404 held in trust for the benefit of Dr. Sander.
- (11) Includes 54,000 shares issuable pursuant to exercisable stock options.
- (12) Includes 56,400 shares issuable pursuant to exercisable stock options and 7,008 shares held through the 401(k) Plan.
- (13) Includes 82,400 shares issuable pursuant to exercisable stock options, 16,114 shares held through the 401(k) Plan and 32,000 shares held by his children.
- (14) Includes 90,400 shares issuable pursuant to exercisable stock options, 23,204 shares held through the 401(k) Plan and 400 shares held by his spouse.

PROPOSAL ONE ELECTION OF DIRECTORS

General

Our Board of Directors currently consists of nine persons, divided into three classes serving staggered three-year terms of office. There are three Directors (James B. Morgan, John L. Mulligan, and Duane E. Sander) whose terms expire at the 2007 Annual Meeting or until their successors are named, three Directors (Aelred J. Kurtenbach, Robert G. Dutcher, and Nancy D. Frame) whose terms expire at the 2008 Annual Meeting or until their successors are named, and three Directors (Byron J. Anderson, Frank J. Kurtenbach, James A. Vellenga) whose terms expire at the 2009 Annual Meeting or until their successors are named. The Nominating and Corporate Governance Committee has recommended to the Board of Directors that Mr. Morgan, Mr. Mulligan and Dr. Sander be nominated as the Directors to be elected at the 2007 Annual Meeting, and the Board of Directors has approved that recommendation.

Vote Required

See [Procedural Matters](#) [Vote Requirements](#) for a description of the votes required for the election of Directors.

The Board of Directors recommends a vote For the election of all nominees for the Directors named below.

Directors and Nominees for Director

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The following table sets forth the name, age and certain other information about each nominee for Director as of record date:

Name	Age	Principal Occupation	Committees Served On
James B. Morgan	60	President and Chief Executive Officer	None
John L. Mulligan	68	Financial Advisor, Morgan Stanley	Audit
Dr. Duane E. Sander	69	Retired	Nominating and Corporate Governance

James B. Morgan joined the Company in 1969 as a part-time engineer while earning his M.S. degree in electrical engineering from South Dakota State University. He became President and Chief Operating Officer of the Company in 1999 and Chief Executive Officer in 2001. He served as its Vice President, Engineering, with responsibility for product development, contract design, project management and corporate information systems, from 1976 to 1999. Mr. Morgan has also served as a Director of the Company since 1984.

John L. Mulligan was elected as a Director in 1993. Since 1999, he has been employed as a Vice President and financial advisor with Morgan Stanley in the same capacity as when he was employed with Mesirow Financial from late 1990 through mid-1993 and again from 1994 through 1998. In 1993 and 1994, he served as principal of Mulligan Financial, a financial services firm that he founded. From 1967 to March 1990, he served as President, Chairman, Chief Executive Officer and a Director of American Western Corporation. Mr. Mulligan is also a certified public accountant.

Duane E. Sander, Ph.D. is a co-founder of the Company and has served as a Director since its incorporation. He also served as Corporate Secretary from incorporation until 2001. From 1990 to 1999, he served as Dean of Engineering at South Dakota State University, and he has taught electrical engineering courses and directed biomedical research projects since 1967.

The identity of the remaining Directors and certain information about them as of the Record Date are set forth below:

Byron J. Anderson is currently retired. Before his retirement, from 1999 to 2004 he served in various capacities at Agilent Technologies, Inc., most recently as Senior Vice President managing business groups located in the United States, Europe, Japan and Asia, which included worldwide sales and service activities. Before working with Agilent, he held various senior positions with Hewlett-Packard Company, ending his career there as a vice president responsible for a business unit serving the communications industry. He holds an MBA from Harvard University and an electrical engineering degree from South Dakota State University. He has been a Director of the Company since 2005.

Frank J. Kurtenbach joined the Company in 1979 as Sales Manager of the Standard Scoreboard Division, which was expanded to include other products in 1981. He served as Sales Manager for the Company from 1982 through 1993, as a Director since 1984 and as a Vice President since 1993. Mr. Kurtenbach has a M.S. degree in physical education and recreation from South Dakota State University. Aelred Kurtenbach and Frank Kurtenbach are brothers.

James A. Vellenga was elected as a Director in 1997 and is currently retired. He spent 46 years in the computer and integrated circuit industry in various senior management positions involved in product development and operations. His most recent position was as President and Chief Executive Officer of BSFX Corp., a company involved in the research of fibers for reinforcing concrete. He holds a B.S. degree in electrical engineering from South Dakota State University.

Robert G. Dutcher is the Chairman, President and Chief Executive Officer of Possis Medical, Inc., a publicly-held medical device company located in Minneapolis, Minnesota. Before joining Possis Medical in 1985, he was with Medtronics, Inc. for 12 years, most recently as Director of Research and Development. He previously worked in an engineering capacity for Control Data Corporation and Honeywell, Inc. Mr. Dutcher holds a B.S. degree in electrical engineering from South Dakota State University and an M.S. degree in electrical engineering from the University of Minnesota. He has been Director of the Company since 2002.

Nancy D. Frame was Deputy Director of the United States Trade and Development Agency in Washington, D.C., a position she held from 1986 to 1999, when she retired. From 1976 to 1986, she held various positions in the legal profession, specializing in international trade and commercial law. She obtained her law degree from Georgetown University, Washington, D.C., and has been a Director of the Company since 1999.

Aelred J. Kurtenbach, Ph.D. is a co-founder of the Company and has served as a Director and Chairman of the Board since its incorporation in 1968. He served as President of the Company until 1999, Chief Executive Officer until 2001, and Treasurer until 1993. Dr. Kurtenbach holds B.S., M.S. and Ph.D. degrees in electrical engineering from the South Dakota School of Mines and Technology, the University of Nebraska and Purdue University, respectively.

Independent Directors

Our Nominating and Governance Committee has determined that each of Messrs. Sander, Vellenga, Mulligan, Frame, Dutcher and Anderson are independent, as that term is defined in Rule 4200(a)(15) of the Marketplace Rules of The NASDAQ Stock Market, Inc. (NASDAQ). Accordingly, the board is composed of a majority of independent directors as required by the NASDAQ Marketplace Rules.

CORPORATE GOVERNANCE

Meetings of the Board of Directors and Committees

Members of the Board of Directors are kept informed regarding our business through discussions with the Chairman, the Chief Executive Officer, the Chief Financial Officer, and key members of management, by reviewing materials provided to them and by participating in meetings of the Board of Directors and its committees.

During fiscal 2007, the Board of Directors held nine meetings (including regularly scheduled and special meetings), the Audit Committee met six times, the Compensation Committee met four times and the Nominating and Corporate Governance Committee met three times. All of the incumbent directors attended at least 75% of the meetings of the Board of Directors and committees, if any, upon which such directors served. There were no actions taken by the Board of Directors by written consent during the year.

Executive Sessions of the Board

The board has formally adopted a policy of meeting in executive session, with only independent directors being present, on a regular basis. During fiscal year 2007, the board met in executive session three times.

Annual Meeting Attendance Policy

As set forth in our Corporate Governance Guidelines, members of the Board of Directors are expected to devote sufficient time and attention to prepare for, attend and participate in Board meetings, shareholder meetings and meetings of Committees of the Board on which they serve.

Code of Conduct

The Board of Directors has adopted our Code of Conduct, which applies to all of our employees, officers and Directors as provided in our Annual Report to Shareholders. Included in the Code of Conduct are ethics provisions that apply to our Chief Executive Officer, Chief Financial Officer, and all other financial and accounting management employees. Copies of the Code of Conduct are available on our website at <http://www.daktronics.com>.

Policy and Procedures with Respect to Related Person Transactions

On May 24, 2007, our board of directors adopted a written Policy and Procedures with Respect to Related Person Transactions, which the Audit Committee oversees. Under the policy, a related party transaction is a transaction, arrangement or relationship in which the Company was, is or will be a participant, the amount involved exceeds \$120,000, and in which any related person had, has or will have a direct or indirect material interest. The policy generally defines a related person as a director, executive officer or beneficial owner of more than 5% of any class of our voting securities and any immediate family member of any of the foregoing persons.

Under the policy, prior notice must be provided to our Corporate Counsel of the facts and circumstances involved in the potential related person transaction. If the Corporate Counsel determines that the transaction is a related person transaction, he must submit it to the Audit Committee or the Chair of the Audit Committee for review and, if appropriate, approval. The policy provides that, on an annual basis, the Audit Committee shall review any previously approved Related Person Transaction that is ongoing. The policy also provides that proposed charitable contributions or pledges of charitable contributions of at least \$120,000 by the Company made to or at the request of a related person are subject to prior review by the Audit Committee or the Chair of the Audit Committee.

Committees of the Board of Directors

The Board of Directors currently has three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

Audit Committee. During fiscal year 2007, our Audit Committee consisted of Mr. Mulligan (Chairperson), Ms. Frame and Mr. Vellenga. Each Audit Committee member satisfies the audit committee independence standards of The NASDAQ Global Market. The Board of Directors has determined that Mr. Mulligan is qualified as an audit committee financial expert, as that term is defined in the applicable regulations of the Securities and Exchange Commission (the SEC). The Audit Committee appoints and provides for the compensation of the independent registered public accounting firm, reviews the scope and findings of the completed audit, reviews the adequacy and effectiveness of our accounting policies and system of internal accounting controls and oversees our policy and procedures with respect to related person transactions. A copy of the Audit Committee's Charter can be found on our website at <http://www.daktronics.com>.

Compensation Committee. During fiscal year 2007, our Compensation Committee consisted of Mr. Dutcher (Chairperson), Mr. Anderson and Mr. Vellenga. All of the Compensation Committee members satisfy the independence requirements of The NASDAQ Global Market. The Compensation Committee annually reviews and acts upon the Chief Executive Officer's compensation package, reviews compensation policy for the other employees, and acts upon management recommendations concerning employee stock options, bonuses and other compensation and benefit plans. A copy of the Compensation Committee's Charter can be found on our website at <http://www.daktronics.com>.

Nominating and Corporate Governance Committee. During fiscal year 2007, our Nominating and Corporate Governance Committee (the Nominating Committee) consisted of Ms. Frame (Chairperson), Mr. Anderson and Dr. Sander. All of the Nominating Committee members satisfy the independence requirements of The NASDAQ Global Market. Our Nominating Committee advises and makes recommendations to the Board of Directors on all matters concerning the selection of candidates as nominees for election as Directors, develops and recommends to the Board of Directors corporate governance guidelines, and provides oversight with respect to corporate governance and ethical conduct. The responsibilities of the Nominating Committee are set forth in the Nominating and Corporate Governance Committee Charter. A copy of the Nominating Committee's Charter and our Corporate Governance Guidelines can be found on our website at <http://www.daktronics.com>.

The information below describes the criteria and process that the Nominating Committee uses to evaluate future candidates to the Board of Directors:

Criteria for Nomination to the Board of Directors

The Nominating Committee will consider the appropriate balance of experience, skills and characteristics required of members of the Board of Directors. Nominees will be selected on the basis of their depth and breadth of experience, wisdom, integrity, ability to make independent analytic inquiries, understanding of our business environment and willingness to devote adequate time to Board duties. The Nominating Committee will seek to ensure that at least a majority of the Directors are independent under the rules of The NASDAQ Global Market, that members of the Audit Committee meet the financial literacy requirements under the rules of The NASDAQ Global Market, and that at least one member of the Audit Committee qualifies as an audit committee financial expert under the rules of the SEC.

Shareholder Proposals for Nominees

The Nominating Committee will consider written proposals from shareholders for nominees for Director. Any such nominations should be submitted to the Nominating Committee in the care of our Corporate Secretary and should include (at a minimum) the following information: (a) all information relating to such nominee that is required to be disclosed in Schedule 14A under the Securities Exchange Act of 1934 (including appropriate biographical information); (b) other board memberships; (c) such person's written consent to being named in the Proxy Statement as a nominee and to serving as a Director, if elected; (d) the name(s) and address(es) of the shareholder(s) making the nomination and the number of shares of our common stock which are owned beneficially and of record by such shareholder(s); and (e) a statement as to the qualifications of the nominee. Shareholder proposals should be submitted by the March 1, 2008 deadline described under the caption, "Procedural Matters Procedure for Submitting Shareholder Proposals" above.

The Nominating Committee will not change the manner in which it evaluates candidates for Board nominees, including the applicable criteria set forth above, based on whether the candidate was recommended by a shareholder. To date, we have not received any shareholder proposals to nominate a Director.

Process for Identifying and Evaluating Nominees

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The process for identifying and evaluating nominees to the Board of Directors will be initiated by identifying candidate(s) who meet the criteria for selection as a nominee and have the specific qualities or skills being sought based on input from members of the Board and others to the extent determined by the Nominating Committee. These candidate(s) will be evaluated by the Nominating Committee by reviewing the candidates' biographical information and qualifications and, if necessary, by checking references. Qualified nominees shall meet with at least one member of the Nominating Committee and with at least one other member of the Board. The Nominating Committee will decide which of the prospective candidates to recommend to the Board for selection as nominees to be presented for the approval of the shareholders or for appointment to fill a vacancy.

Board Nominees for the 2007 Annual Meeting

The Board nominees for this Annual Meeting - James B. Morgan, John L. Mulligan, and Dr. Duane E. Sander - were selected by the Board of Directors as a whole in May 2007.

Board of Directors Evaluation

On an ongoing basis, the Nominating Committee facilitates a process to determine whether the Board of Directors and its Committees are functioning effectively. The results of this process are reported to the Board for discussion.

How to Contact the Board of Directors

Shareholders wishing to contact our Directors may do so by writing to them at the following address: Corporate Secretary, Daktronics, Inc., 331 32nd Avenue, Brookings, South Dakota 57006. All letters received will be forwarded to the Directors.

Compensation Committee Interlocks and Insider Participation

During fiscal year 2007, none of our executive officers served on the board of directors or compensation committee of another company that had an executive officer serve on our Board of Directors or our Compensation Committee. Dr. Sander was a part-time employee during the Company's early years. Through fiscal year 2001, he served as Corporate Secretary of the Company but was not an employee or executive officer of the Company.

Director Compensation

The following table sets forth information about the compensation paid to and earned by our directors for the year ended April 28, 2007:

FISCAL 2007 DIRECTOR COMPENSATION

Name ⁽¹⁾	Fees Earned or Paid in Cash ⁽²⁾	Option Awards ⁽⁴⁾	Total Compensation
Byron J. Anderson	\$ 16,000	\$ 64,437 ⁽³⁾	\$ 80,437
Robert G. Dutcher	16,000	30,862	46,862
Nancy D. Frame	18,000	30,862	48,862
John L. Mulligan	18,000	34,692	52,692
Dr. Duane E. Sander	15,000	34,692	49,692
James A. Vellenga	17,000	53,173 ⁽³⁾	70,173

(1) As employees of the Company, James B. Morgan, the President and Chief Executive Officer, Aelred J. Kurtenbach, Chairman of the Board, and Frank J. Kurtenbach, Vice President, received no director fees from us during fiscal year 2007 and are therefore not included in the table.

- (2) Consists of fees earned for fiscal year 2007 and paid in fiscal year 2007 or fiscal year 2008.
- (3) On August 16, 2006, Mr. Anderson and Mr. Vellenga each received a stock option award with a grant date fair value of \$22.785 per share (24,000 shares). The grant date fair values were computed in accordance with Statement of Financial Accounting Standard ("SFAS")No. 123(R).
- (4) As of April 28, 2007, the following non-employee directors had outstanding options to purchase the following number of shares of our common stock, all of which had been granted under our 1993 Outside Directors Stock Option Plan or 2001 Outside Directors Stock Option Plan: Mr. Anderson (32,000 shares, of which options to purchase 8,000 shares that were exercisable), Mr. Dutcher (60,000 shares, of which options to purchase 44,000 shares were exercisable), Ms. Frame (60,000 shares, of which options to purchase 44,000 shares were exercisable), Mr. Mulligan (24,000 shares, of which options to purchase 16,000 shares were exercisable), Mr. Sander (96,000 shares, of which options to purchase 88,000 shares were exercisable) and Mr. Vellenga (78,000 shares, of which options to purchase 54,000 shares were exercisable).

Non-employee Director Fees. For 2007, each non-employee director received an annual retainer of \$4,000, plus \$2,500 for each Board of Directors meeting attended in person and the following annual retainers for committee membership:

	Chair	Other Members
Audit Committee	\$ 4,000	\$ 2,000
Compensation Committee	\$ 2,000	\$ 1,000
Governance and Nominating Committee	\$ 2,000	\$ 1,000

1993 and 2001 Directors Stock Option Plans. The 1993 Outside Directors Option Plan and the 2001 Outside Directors Option Plan (the Directors Plans) were intended to assist us in attracting, motivating and retaining well-qualified individuals to serve as our directors. The Directors Plans provided for the automatic grant of options up to a predefined level. The only individuals eligible to receive options under the Directors Plans were members of our board of directors who were not our employees. The Directors Plans provide that the total number of shares of our common stock that may be purchased upon the exercise of options could not exceed 800,000 shares, subject to adjustment. The Directors Plans were administered by our Board of Directors through our Compensation Committee.

During the terms of the Directors Plans, all grants of stock options were automatically awarded at or below the maximum level permitted by the Directors Plans which was up to 36,000 shares upon their initial appointment or re-election to the Board of Directors. During fiscal 2007, under the 2001 Outside Directors Plan, Mr. Vellenga and Mr. Anderson received automatic grants of stock options to purchase 24,000 shares on their re-election to the Board of Directors. On June 20, 2007, there were options to purchase 350,000 shares outstanding under the Directors Plans, all of which were automatic grants.

All options granted to non-employee directors under the Directors Plans are non-qualified options not intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended. Payment for shares upon exercise of any automatic or discretionary options granted to non-employee directors under the Directors Plans may be made in cash, in shares of our common stock that have been owned for more than six months having an aggregate fair market value on the date of exercise which is not less than the exercise price of the shares of common stock being purchased, partly in cash and partly in such shares, or by the delivery of irrevocable instructions to a broker to sell shares of common stock obtained upon the exercise of an option and to deliver to us an amount out of the proceeds of such sale equal to the aggregate exercise price of the shares being purchased.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE