

DAKTRONICS INC /SD/  
Form DEF 14A  
July 09, 2004

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

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**SCHEDULE 14A**

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

Filed by the Registrant    
Filed by a Party other than the Registrant

Check the appropriate box:

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

**Daktronics, Inc.**

(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.

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3.) Filing Party:

4.) Date Filed:

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**DAKTRONICS, INC.**

331 32<sup>nd</sup> Avenue  
Brookings, South Dakota 57006

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON WEDNESDAY, AUGUST 18, 2004**

The 2004 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 18, 2004 at 7:00 p.m. Central Daylight Time, for the following purposes:

1. To elect three Directors of the Company to serve for a three year term that expires on the date of the Annual Meeting of Shareholders in 2007 or until their successors are duly elected;
2. To ratify the appointment of Ernst & Young LLP as independent auditors of the Company for fiscal year 2005; and
3. 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 30, 2004 (the "Record Date") are entitled to notice of and to vote at the Annual Meeting.

You are cordially invited to attend the meeting. It is important that your shares be represented at the meeting. Therefore, whether or not you expect to attend the meeting, **please complete, date and sign the enclosed proxy and return it promptly in the enclosed envelope.** If you later desire to revoke your proxy, you may do so at any time before it is exercised. Shareholders who are present at the meeting may withdraw their proxy and vote in person if they so desire.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON WEDNESDAY, AUGUST 18, 2004

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By Order of the Board of Directors,

Carla S. Gatzke  
Corporate Secretary

Brookings, South Dakota  
July 9, 2004

**IMPORTANT: WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE SIGN THE PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE.**

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**Daktronics, Inc.**

**Table of Contents**

	<u>Pages</u>
<u>Procedural Matters</u>	1
<u>Proposal One - Election of Directors</u>	2
<u>Corporate Governance</u>	4
<u>Proposal Two - Ratification of Appointment of Independent Auditors</u>	6
<u>Security Ownership of Certain Beneficial Owners and Management</u>	7
<u>Executive Compensation</u>	8
<u>Report of the Compensation Committee</u>	10
<u>Report of the Audit Committee</u>	13
<u>Relationship with Independent Auditors</u>	14
<u>Performance Graph</u>	14
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	15
<u>Householding of Annual Disclosure Documents</u>	15
<u>Available Information</u>	16
<u>Additional Matters</u>	16
<u>Appendix A - Charter of the Nominating and Corporate Governance Committee</u>	17

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**DAKTRONICS, INC.**

**PROXY STATEMENT  
FOR 2004 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. for use at our Annual Meeting of Shareholders to be held on Wednesday, August 18, 2004, 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 were mailed on or about July 9, 2004, together with our fiscal year 2004 Annual Report to Shareholders, to all shareholders entitled to vote at the Annual Meeting.

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

### Record Date

Shareholders of record at the close of business on June 30, 2004 (the Record Date) are entitled to notice of and to vote at the meeting. As of the Record Date, 18,913,798 shares of our common stock were issued and outstanding.

### Voting at the Annual Meeting

The holders of one-third of the shares of common stock issued and outstanding and entitled to vote at the 2004 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, except that with respect to the election of Directors, every shareholder shall have the right to vote, in person or by proxy, the number of shares owned by the holder for as many persons as there are Directors to be elected, or to cumulate the holder's votes by giving one candidate the number of votes which is equal to the number of Directors to be elected multiplied by the number of the holder's shares, or by distributing such cumulated votes among any number of 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.

### 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 in two ways:

- 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.

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 Company's 401(k) Plan (the Plan) who hold common stock of the Company in the Plan are entitled to instruct the trustee of the 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 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 (i) by delivery of a written notice of revocation or a duly executed proxy to the Corporate Secretary of the Company bearing a date later than the prior proxy relating to the same shares, or (ii) by 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 by our Corporate Secretary 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. Directors, officers and employees of the Company 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 11, 2005 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 2005 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 25, 2005 and advise shareholders in the 2005 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 25, 2005. Notices of intention to present proposals at the 2005 Annual Meeting of Shareholders should be addressed to Corporate Secretary, Daktronics, Inc., 331 32<sup>nd</sup> Avenue, Brookings, South Dakota, 57006.

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**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 2004 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 2005 Annual Meeting or until their successors are named, and three Directors (Frank J. Kurtenbach, Roland J. Jensen and James A. Vellenga) whose terms expire at the 2006 Annual Meeting or until their successors are named. The Nominating and Corporate Governance Committee has recommended to the Board of Directors that Messrs. Morgan, Mulligan and Sander be nominated as the Directors to be elected at the 2004 Annual Meeting, and the Board of Directors has approved that recommendation.

**Vote Required**

See Procedural Matters Voting at the Annual Meeting for a description of the votes required for 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**

The following table sets forth the name, age and certain other information regarding each nominee for Director:

<u>Name</u>	<u>Age</u>	<u>Principal Occupation</u>	<u>Committees Served On</u>
James B. Morgan	57	Chief Executive Officer and President	None

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John L. Mulligan	65	Vice President, Morgan Stanley	Audit (Chairperson)
Duane E. Sander	66	Director of Special Projects South Dakota State University Foundation	Compensation Nominating & 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. Mr. Morgan 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. 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. 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. Since 1999, he has been employed by the South Dakota State University Foundation as its Director of Special Projects. From 1990 to 1999, he served as Dean of Engineering at South Dakota State University, and he 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:

**Frank J. Kurtenbach** joined the Company in 1979 as Sales Manager of the Standard Scoreboard Division of the Company, 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 Vice President, Sales since 1993. Kurtenbach has an M.S. degree from South Dakota State University. Aelred Kurtenbach and Frank Kurtenbach are brothers.

**Roland J. Jensen** is currently retired. Prior to his retirement, from 1996 to 2000, he served as President, Chief Executive Officer and Chairman of Louisiana Energy Services, which was in the business of enriching uranium for the civilian nuclear power industry. From 1960 to 1990, he was with Northern States Power Company, a publicly held electric and natural gas utility, ending his service as Senior Vice President of Power Supply. From 1990 to 1994, he was Chairman and Chief Executive Officer of NRG Energy, Inc., a Minneapolis-based energy services Company. Jensen has served as a Director of the Company since 1994. Jensen holds a B. S. degree in Mechanical Engineering from South Dakota State University and an M.S. degree in Industrial Management from the University of Minnesota.

**James A. Vellenga** was elected as a Director in 1997. He is currently the President and Chief Executive Officer of BSFX Corp., a company involved in the research of fibers for reinforcing concrete and he has served in such capacity since early 2003. From 1988 to 2002, he held senior management positions with Aetrium, Inc. and UpTech Automation, Inc., both of which were involved in the design and development of integrated circuit test handlers. At Uptech Automation, Inc., he served as the Chief Executive Officer and Chairman of the Board. Prior to joining Aetrium, Inc. and UpTech Automation, Inc., Vellenga was a founder and Vice President of Operations of Lee Data Corporation. From approximately 1957 to 1979, Vellenga worked at Remington Rand, Univac, Control Data Corporation and Data 100 Corporation, where he was involved in the design and management of computer products. Vellenga holds a B.S. degree in Electrical Engineering from South Dakota State University.

**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. He also 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.

**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. Prior to joining Possis Medical in 1985, Dutcher was with Medtronic, 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. 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 the 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.

## CORPORATE GOVERNANCE

### Board of Directors Meetings

Members of the Board of Directors are kept informed regarding the Company's 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 2004, the Board of Directors held four meetings (including regularly scheduled and special meetings), and all of the incumbent Directors attended 75% or more of the meetings of the Board of Directors and committees, if any, upon which such Directors served.

### Annual Meeting Attendance Policy

The Company does not have a policy with regard to Directors' attendance at annual meetings of stockholders. All Directors, other than Nancy Frame, attended our 2003 Annual Meeting of Stockholders.

### Code of Conduct

The Board of Directors has formally adopted the Company's Code of Conduct which applies to all of our employees, officers and Directors. 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 free of charge by contacting the Corporate Secretary, Daktronics, Inc., 331 32<sup>nd</sup> Avenue South, Brookings, South Dakota 57006.

### 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 2004, 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 Stock Market. The Board of Directors has determined that Mr. Mulligan is qualified as an audit committee financial expert, as that term is defined in recently adopted regulations of the Securities and Exchange Commission (the "SEC"). The Audit Committee appoints and provides for the compensation of the independent auditors, reviews the scope and findings of the completed audit, and reviews the adequacy and effectiveness of our accounting policies and system of internal accounting controls. A copy of the Audit Committee's Charter was included in our fiscal year 2003 Proxy Statement. The Audit Committee met seven times during fiscal year 2004.

*Compensation Committee.* During fiscal year 2004, our Compensation Committee consisted of Messrs. Jensen (Chairperson), Sander and Dutcher. All of the Compensation Committee members satisfy the independence requirements of the NASDAQ Stock 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. The Compensation Committee met twice during fiscal year 2004.

*Nominating and Corporate Governance Committee.* During fiscal year 2004, our Nominating and Corporate Governance Committee (the "Nominating Committee") consisted of Ms. Frame (Chairperson) and Messrs. Jensen and Sander. All of the Nominating Committee members satisfy the independence requirements of the NASDAQ Stock 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 which is included herein. The Nominating Committee was formed in February 2004 and held its first meeting in May 2004, after the end of fiscal year 2004.

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 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 the Company's business environment, and willingness to devote adequate time to Board duties. The Nominating Committee will seek to insure that at least a majority of the Directors are independent under the rules of the NASDAQ Stock Market, that members of the Audit Committee meet the financial literacy requirements under the rules of the NASDAQ Stock 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 the Corporate Secretary of the Company 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) such person's written consent to being named in the Proxy Statement as a nominee and to serving as a Director, if elected; (c) 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 (d) a statement as to the qualifications of the nominee. Shareholder proposals should be submitted by the March 11, 2005 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.

*Process for Identifying and Evaluating Nominees*

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.

A similar process will be used to evaluate nominees recommended by shareholders. However, to date, the Company has not received any shareholder proposals to nominate a Director.

**Board Nominees for the 2004 Annual Meeting**

The nominees for this Annual Meeting, James B. Morgan, John L. Mulligan and Duane E. Sander, were selected by the Board of Directors as a whole in May 2004.

**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**

We have a process for shareholders to send communications to our Board of Directors. Shareholders wishing to contact the Directors of the Company may do so by writing to them at the following address: Corporate Secretary, Daktronics, Inc., 331 32<sup>nd</sup> Ave, Brookings, South Dakota 57006. All letters received will be categorized and processed by the Company's Corporate Secretary, and then forwarded to the Directors.



**Director Compensation**

During fiscal year 2004, each non-employee Director received, for his or her services as a Director, a \$2,000 retainer, \$1,500 for each meeting attended in person, \$500 for each committee meeting attended in person (telephonic participation in all meetings at one-half rate), and reimbursement of all out-of-pocket expenses incurred in attending meetings. Non-employee Directors also receive stock options under the Company's 2001 Outside Directors Stock Option Plan upon their election to the Board of Directors. In August 2003, Messrs. Jensen and Vellenga each received under the 2001 Outside Directors Stock Option Plan options to purchase 6,000 shares for each of the three years of their term, for a total of 18,000 shares. The options are subject to vesting restrictions and have an exercise price of \$16.97 per share, which was equal to the per share fair market value of the Company's common stock on the date of grant as determined by the Board of Directors.

**PROPOSAL TWO  
RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

The Audit Committee of the Board of Directors has appointed Ernst & Young LLP as our independent auditors to audit our consolidated financial statements for fiscal year 2005 and recommends that the shareholders vote for ratification of such appointment.

Ernst & Young LLP has audited our financial statements since fiscal year 2003. A representative of Ernst & Young LLP is expected to be present at the Annual Meeting, will have the opportunity to make a statement and is expected to be available to respond to appropriate questions.

**Vote Required**

Ratification of the appointment of Ernst & Young LLP as our independent auditors will require the affirmative vote of a majority of the votes entitled to vote at the Annual Meeting. In the event that the shareholders do not approve the selection of Ernst & Young LLP, the Audit Committee will reconsider its selection.

**The Board of Directors recommends a vote For the ratification of the appointment of Ernst & Young LLP as independent auditors for the fiscal year ending April 30, 2005.**

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information regarding the beneficial ownership of common stock as of June 30, 2004, 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> <sup>(1)(2)</sup>	<u>Percent of Outstanding Shares</u>
Beneficial owners of more than 5% of the common stock:			
Daktronics Inc. 401(k) Plan		1,050,234	5.6%
Named Officers and Directors:			
Aelred J. Kurtenbach <sup>(3)</sup>	(4)	1,489,713	7.9%
James B. Morgan	(5)	825,336	4.5%
Frank J. Kurtenbach	(6)	524,119	2.8%
Robert G. Dutcher	(7)	12,000	*
Nancy D. Frame	(8)	51,000	*
Roland J. Jensen	(9)	81,600	*
John L. Mulligan	(10)	48,000	*
Dr. Duane E. Sander	(11)	734,756	3.9%
James A. Vellenga	(12)	56,000	*
William R. Retterath	(13)	9,943	*
Carla S. Gatzke	(14)	332,074	1.2%
<b>All Directors and executive officers as a group (11 persons)</b>		<b>4,164,542</b>	<b>21.3%</b>

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- \* 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 30, 2004.
  - (2) The Common Stock held by the Daktronics, Inc. 401(k) (the "Plan") and allocated to the Plan participants are voted by the trustee of the Plan, according to the instructions of the Plan participants. Shares held by the Plan are as of the most recent statement date of May 20, 2004.
  - (3) Address is 331 32nd Avenue, Brookings, South Dakota 57006.
  - (4) Includes (i) 154,000 shares issuable pursuant to currently exercisable stock options, (ii) 55,156 shares held through the Plan and (iii) 691,080 shares owned by spouse.
  - (5) Includes (i) 150,000 shares issuable pursuant to currently exercisable stock options, (ii) 18,444 shares held through the Plan and (iii) 800 shares held by his children.
  - (6) Includes (i) 7,400 shares issuable pursuant to currently exercisable stock options, (ii) 16,441 shares held through the Plan and (iii) 118,000 shares held by his spouse.
  - (7) Includes 12,000 shares issuable pursuant to exercisable stock options.
  - (8) Includes 48,000 shares issuable pursuant to exercisable stock options.
  - (9) Includes 58,000 shares issuable pursuant to exercisable stock options.
  - (10) Includes 36,000 shares issuable pursuant to exercisable stock options.
  - (11) Includes (i) 72,000 shares issuable pursuant to exercisable stock options, (ii) 328,040 shares held by his spouse and (iii) 44,560 shares held in the name of his son.
  - (12) Includes 42,000 shares issuable pursuant to exercisable stock options.
  - (13) Includes (i) 6,000 shares issuable pursuant to exercisable stock options and (ii) 1,773 shares held through the Plan.
  - (14) Includes (i) 49,200 shares issuable pursuant to exercisable stock options, (ii) 40,397 shares held through the Plan, (iii) 36,485 shares held by her spouse through the Plan and (iv) 7,850 shares held by her children.

### EXECUTIVE COMPENSATION

The following Summary Compensation Table sets forth certain information regarding the total compensation earned or awarded for each of the last three completed fiscal years to the Chief Executive Officer and four other most highly compensated executive officers (the Named Executive Officers ) whose annual salary and bonus was at least \$100,000 for fiscal 2004:

**Summary Compensation Table**

Name and Principal Position	Fiscal Year	<u>Annual Compensation</u> <sup>(1)</sup>			Other	Long-Term Awards Number of Securities <u>Underlying Options</u>	All Other Compensation <sup>(6)</sup>
		<u>Salary</u>	<u>Bonus</u> <sup>(2)</sup>	<u>Annual Compensation</u> <sup>(3)</sup>			
James B. Morgan Chief Executive Officer, President and Director	2004	\$253,039	\$64,350	\$3,778	10,000	\$ 2,683	
	2003	254,327	62,500	3,337	10,000	3,351	
	2002	241,346	-	3,699	10,000	3,653	
Dr. Aelred J. Kurtenbach Chairman of the Board and	2004	150,050	37,500	5,409	-	10,664	
	2003	156,923	37,500	4,500	-		