AeroVironment Inc
Form DEF 14A
August 16, 2016

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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 ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

AEROVIRONMENT, 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):

ý No Fee Required

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

(4) Proposed maximum aggregate value of transaction:

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o Fee paid with preliminary materials:

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Notice of 2016 Annual Meeting

of Stockholders

and Proxy Statement

Friday, September 30, 2016
at 9:00 a.m., local time

994 Innovators Way
Simi Valley, CA 93065

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MESSAGE AND Q&A WITH AEROVIRONMENT PRESIDENT AND CHIEF EXECUTIVE OFFICER WAHID NAWABI

AeroVironment is an amazing company with a storied history and a talented team that I am privileged to lead as Chief Executive Officer. Our solutions help customers make important decisions that improve mission-critical outcomes. We believe the company's tremendous long-term growth potential can create value for customers, stockholders and employees. The company enjoys a unique combination of a profitable core business with a strong franchise in United States Department of Defense small unmanned aircraft systems (UAS), a strong balance sheet with more than $260 million in cash and investments and no debt as of the end of fiscal 2016. Tactical Missile Systems and commercial UAS solutions represent significant opportunities for long-term value creation.

In my new role as CEO, I am in active dialogue with our stockholders and several questions frequently arise, which are addressed below:

Q) Why does the company maintain such a large cash and investment balance and no debt?

A) We are in the business of working to transform innovative technology solutions into market-leading businesses. Our strong balance sheet provides us with the flexibility to respond to investment opportunities when they arise and to demonstrate strength and staying power to large customers when we compete for their business against much larger firms. Our lack of debt maximizes our ability to invest in research and development to move our growth initiatives toward market adoption.

Q) How do you balance customer confidentiality, competitive sensitivity and the need to inform stockholders of your progress in key growth areas?

A) Many of the products we sell and projects we work on serve customers who contractually or legally restrict our ability to discuss the details of our work publicly. In addition, in most of our business areas we increasingly face competitors eager to gather information on our capabilities, particularly when we are creating new markets or introducing innovative technology. For these reasons, in some business areas, we are not able to provide the level of visibility that stockholders desire and that we would otherwise provide. Even with the customer and competitive constraints, we keep stockholders informed of our progress in important areas of our business, even if the information we provide merely contextualizes our business. Across our business, we comply with our contractual and legal obligations while actively seeking to balance these competing considerations for the benefit of all our stakeholders.

Q) Coming after Tim Conver's long tenure as CEO, how do you view the company and its prospects?

A) I am excited to lead the AeroVironment team. I see opportunities for growth as well as opportunities to improve our planning and execution. I look forward to achieving our company's potential and rewarding all of our stakeholders, including our customers, employees and stockholders.

Thank you for your continued support and interest in our company.

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AEROVIRONMENT, INC.

NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholders,

We are pleased to invite you to join the board of directors and executive team of AeroVironment, Inc. (the "company") at our 2016 annual meeting of stockholders. Important information relating to the annual meeting is detailed below:

TIME:	9:00 a.m. Pacific Time on Friday, September 30, 2016.		
PLACE:	*The company's offices at:* *994 Innovators Way* *Simi Valley, CA 93065*		
			Unanimous Recommendations of Board of Directors
ITEMS OF BUSINESS:	(1)	Elect Charles Thomas Burbage, Charles R. Holland and Edward R. Muller, each to serve as a Class I director for a three-year term;	FOR
	(2)	Ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending April 30, 2017;	FOR
	(3)	Approve an amendment and restatement of our Amended and Restated 2006 Equity Incentive Plan; and	FOR
	(4)	Transact such other business as may properly come before the annual meeting or any adjournments or postponements thereof.	
RECORD DATE:	You can vote if you were a stockholder of the company at the close of business on August 12, 2016.		
MEETING ADMISSION:	**Registered Stockholders**. If you are a registered stockholder (i.e., your shares are NOT held in an account at a brokerage firm, bank, dealer or other similar organization), you or your legal representatives attending the meeting must bring an acceptable form of identification to the meeting, such as a driver's license. Legal representatives must also bring copies of any proxy or power of attorney evidencing the legal representative's right to represent the stockholder at the meeting.		

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Beneficial Stockholders. If you are a beneficial stockholder (i.e., your shares are held by a brokerage firm, bank, dealer or similar organization (often referred to as "holding in street name")) you should come to the beneficial stockholders' table prior to the meeting. In order to be admitted, beneficial stockholders must bring account statements or letters from their brokers or banks showing that they owned AeroVironment stock as of August 12, 2016. In order to vote at the meeting, beneficial stockholders must bring legal proxies, which they can obtain only from their brokers or banks.

VOTING BY PROXY:

Registered Stockholders. To assure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the annual meeting in person. Instructions for voting are on your proxy card. If you attend the annual meeting, you may also submit your vote in person, and any previous votes you submitted will be superseded by the vote that you cast at the annual meeting.

You are urged to date, sign and promptly return the proxy card in the envelope provided to you, or to use the telephone or internet method of voting described on your proxy card, so that if you are unable to attend the meeting your shares can be voted.

Beneficial Stockholders. If your shares are held in the name of a broker, bank or other holder of record, follow the voting instructions you receive from the holder of record to vote your shares. Without your instructions as to how to vote, brokers are not permitted to vote your shares at the annual meeting with respect to the election of directors or to approve an amendment and restatement of our Amended and Restated 2006 Equity Incentive Plan. Please instruct your broker how to vote your shares using the voting instructions provided by your broker.

This proxy statement is issued in connection with the solicitation of a proxy on the enclosed form by the board of directors of AeroVironment, Inc. for use at our 2016 annual meeting of stockholders. We will begin distributing this proxy statement, a form of proxy and our 2016 annual report on or about August 26, 2016.

Thank you for your support.

Tim Conver
Chairman of the Board

Simi Valley, California
August 16, 2016

YOUR VOTE IS IMPORTANT

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON SEPTEMBER 30, 2016

This notice, the accompanying proxy statement, and our 2016 annual report to stockholders, which includes our annual report on Form 10-K for the fiscal year ended April 30, 2016, are available on our website at http://investor.avinc.com/financials.cfm.

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PROXY SUMMARY

This proxy statement is furnished to our stockholders in connection with the solicitation of proxies by the board of directors of AeroVironment, Inc. for our 2016 annual meeting of stockholders to be held on Friday, September 30, 2016 and any adjournments or postponements thereof, for the purposes set forth in the attached notice of annual meeting of stockholders. Our principal executive offices are located at 800 Royal Oaks Drive, Suite 210, Monrovia, California 91016. Enclosed with this proxy statement is a copy of our 2016 annual report, which includes our Form 10-K (without exhibits) for the fiscal year ended April 30, 2016. However, the 2016 annual report is not intended to be a part of this proxy statement or a solicitation of proxies.

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider and you should read the entire proxy statement before voting. For more complete information regarding the company's 2016 performance, please review our annual report on Form 10-K for the fiscal year ended April 30, 2016. This proxy statement and the accompanying proxy card are first being distributed to stockholders on or about August 26, 2016.

VOTING AND MEETING INFORMATION

It is important that you vote in order to impact the future of the company. Please carefully review the proxy materials for the 2016 annual meeting of stockholders, which will be held on Friday, September 30, 2016, at 9:00 a.m. local time, at the company's offices at 994 Innovators Way, Simi Valley, CA 93065, and follow the instructions below to cast your vote on all of the voting matters.

Who is Eligible to Vote

You are entitled to vote at the 2016 annual meeting of stockholders if you were a stockholder of record at the close of business on August 12, 2016, the record date of the meeting. On the record date, there were 23,392,659 shares of common stock issued and outstanding and entitled to vote at the annual meeting. The holders of our common stock are entitled to one vote per share on any proposal presented at the annual meeting. We have no other voting securities outstanding.

Voting in Advance of the Meeting

Even if you plan to attend the 2016 annual meeting of stockholders in person, please vote right away using one of the following advance voting methods (see page 77 for additional details). Make sure to have your proxy card or voting instruction form in hand and follow the instructions.

You can vote in advance in one of three ways:

Visit the website listed on your proxy card/voting instruction form to vote **VIA THE INTERNET**

Call the telephone number on your proxy card/voting instruction form to vote **BY TELEPHONE**

Sign, date and return your proxy card/voting instruction form in the enclosed envelope to vote **BY MAIL**

Attending and Voting at the Annual Meeting

All stockholders of record may vote in person at the 2016 annual meeting of stockholders. Beneficial owners may vote in person at the meeting if they have a legal proxy, as described on page 76.

Important Note about Meeting Admission Requirements: If you plan to attend the meeting in person, you should review the important details on admission requirements on page 76.

Electronic Document Delivery

Instead of receiving future copies of our notice of annual meeting, proxy statement and the annual report on Form 10-K by mail, stockholders of record and most beneficial owners can elect to receive an email that will provide electronic links to these documents. Opting to receive our proxy materials online will save us the cost of producing and mailing documents and also will give you an electronic link to the proxy voting site. Please see your proxy card or the website to where you are referred to vote your shares for instructions on how to elect to receive your proxy materials electronically.

Roadmap of Voting Matters

Stockholders are being asked to vote on the following matters at the 2016 annual meeting of stockholders:

Item 1. Election of Directors (page 8) The board believes that the combination of qualifications, skills and experiences of the director nominees would contribute to an effective and well-functioning board. The director nominees possess the necessary qualifications to assist the board in providing effective oversight of the business and strategic advice and counsel to the company's management.	**FOR each Director Nominee**
Item 2. Ratification of the Appointment of Ernst & Young LLP as Independent Registered Public Accounting Firm (page 62) The Audit Committee has appointed Ernst & Young LLP to serve as the company's Independent Auditors for the fiscal year ending April 30, 2017. The Audit Committee and the board believe that the continued retention of Ernst & Young LLP to serve as the company's independent registered public accounting firm is in the best interests of the company and its stockholders. As a matter of good corporate governance, stockholders are being asked to ratify the Audit Committee's selection of the independent registered public accounting firm.	**FOR**
Item 3. Approval of Amendment and Restatement of the company's Amended and Restated 2006 Equity Incentive Plan (page 64)	**FOR**

The board has put forth a proposal to approve an amendment and restatement of the company's Amended and Restated 2006 Equity Incentive Plan (the "2016 Restated Plan") to allow our stockholders to re-approve the performance goals set forth therein in order to preserve the company's ability to deduct compensation associated with performance-based awards under Section 162(m) of the Internal Revenue Code. In addition, the 2016 Restated Plan adds an annual limit on compensation that may be paid or provided to non-employee directors each fiscal year. The 2016 Restated Plan does not provide for an increase in the number of shares authorized for issuance thereunder above the authorized share limit under the existing Amended and Restated 2006 Equity Incentive Plan.

QUESTIONS AND ANSWERS (PAGE 75)

Please see the Questions and Answers section beginning on page 75 for important information about the proxy materials, voting, the annual meeting, company documents, communications and the deadlines to submit stockholder proposals for the 2017 annual meeting of stockholders. Additional questions may be directed to Investor Relations at (626) 357-9983 x4245 or investorrelations@avinc.com.

CORPORATE GOVERNANCE (PAGE 22)

The company is committed to good corporate governance, which promotes the long-term interests of stockholders, strengthens board and management accountability and helps build public trust in the company. Highlights of our governance practices include:

High proportion of independent directors (6 of 8)

Director resignations required from directors receiving more "withhold" votes than "for" votes in an uncontested election

Lead Independent Director

Independent Audit, Compensation and Nominating and Corporate Governance Committees

Regular executive sessions of independent directors

Regular board and committee self-evaluations

Active stockholder engagement

Anti-hedging and anti-short sale policies for executives, directors and employees

Executive compensation driven by pay-for-performance philosophy

Share ownership guidelines and share retention policy for executives and directors

Compensation recovery policy for executives

DIRECTOR NOMINEES AND OTHER DIRECTORS (PAGES 13-19)

Director Nominees					
Charles Thomas Burbage*1	68	2013	Former Executive Vice President and General Manager, Joint Strike Fighter Program of Lockheed Martin	C, NCG, E	0
Charles R. Holland*2	70	2004	Retired Air Force General and defense industry consultant	NCG	0
Edward R. Muller*3	64	2013	Vice Chairman of the Board of NRG Energy, Inc., former Chairman and Chief Executive Officer of GenOn Energy Inc. and current and former director of public companies	A, C	2
Other Directors					
Timothy E. Conver	72	1988	Former President and Chief Executive Officer of the company	E	0
Arnold L. Fishman*	71	1998	Founder and Former Chairman of the Board of Lieberman Research Worldwide	L, C	0
Catharine Merigold*	60	2015	Founder and Managing Partner of Vista Ventures	A	0
Wahid Nawabi4	47	2016	President and Chief Executive Officer of the company since May 2016; former Chief Operating Officer and Senior Vice President of the company and General Manager of the company's EES division		0
Stephen F. Page*	76	2013		A, NCG	0

Former Chief Financial Officer of United Technologies Corporation and Chief Executive Officer of its Otis Elevator division and former director of public companies

** = Independent Director*

L = Lead Independent Director

A = Audit Committee

C = Compensation Committee

E = Executive Committee

NCG = Nominating and Corporate Governance Committee

1. *If re-elected, Mr. Burbage will serve on the Compensation Committee, the Nominating and Corporate Governance Committee and the Executive Committee.*

2. *If re-elected, Mr. Holland will serve on the Nominating and Corporate Governance Committee.*

3. *If re-elected, Mr. Muller will serve on the Audit Committee and the Compensation Committee.*

4. *Mr. Nawabi was appointed as a director of the company effective May 2, 2016.*

FY2016 COMPENSATION (PAGE 52)

Set forth below is the compensation of each Named Executive Officer as determined under the rules of the Securities and Exchange Commission, or the SEC, for the fiscal year ended April 30, 2016. The complete Summary Compensation Table containing the compensation of our Named Executive Officers for fiscal years 2014, 2015 and 2016, including footnotes with important disclosures and detail, appears on page 52. This summary table is not complete and you should read the Summary Compensation Table and the Executive Compensation and Other Information section in its entirety for complete information on the compensation paid to our Named Executive Officers.

Name and Principal Positions	Year	Salary ($)	Bonus ($)	Non-Equity Incentive Plan Compensation ($)	Stock Awards ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Timothy E. Conver Chairman of the Board, Former President and Chief Executive Officer[1]	2016	569,322	70,470	334,530	400,500	304,755	24,151	1,703,728
Raymond Cook[2] Senior Vice President and Chief Financial Officer	2016	262,500	79,754	141,246	408,750	308,125	7,111	1,207,486
Teresa Covington[3] Vice President, Finance, former Interim Chief Financial Officer	2016	259,085	14,877	70,623	267,587		16,193	628,366
Wahid Nawabi[4] President and Chief Executive Officer, Former Senior Vice President and Chief Operating Officer	2016	358,083	41,499	197,001	400,500	507,926	23,564	1,528,573
Doug Scott Senior Vice President, General Counsel and Corporate Secretary	2016	298,957	22,707	107,793	133,500	101,585	18,002	682,544
Cathleen S. Cline[5] Former Senior Vice President of Administration	2016	267,332	20,358	96,642	106,800	81,268	302,858	875,258

1.

Mr. Conver retired from his position as President in January 2016 and his position as Chief Executive Officer in May 2016. Mr. Conver remains our Chairman of the Board.

2.

Mr. Cook has served as our Senior Vice President and Chief Financial Officer since July 2015.

3.
Ms. Covington served as our Interim Chief Financial Officer from February 5, 2015 to July 6, 2015, after which she was appointed Vice President, Finance. Prior to being appointed as our Interim Chief Financial Officer, Ms. Covington had served as our Vice President of Finance, Energy Efficient Systems since May 2011.

4.
Mr. Nawabi was appointed as our President and Chief Executive Officer in May 2016. He served as our President and Chief Operating Officer from January 2016 to May 2016 and as our Senior Vice President and Chief Operating Officer from April 2015 to January 2016.

5.
Ms. Cline retired from the company effective April 30, 2016.

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ITEM 1. ELECTION OF NOMINEES TO THE BOARD OF DIRECTORS

Our board of directors consists of eight members and is divided into three classes of directors serving staggered three-year terms. Directors for each class are elected at the annual meeting of stockholders held in the year in which the term for their class expires and hold office until their resignation or removal or their successors are duly elected and qualified. In accordance with our certificate of incorporation and bylaws, our board of directors may fill existing vacancies on the board of directors by appointment.

The term of office of the Class I directors will expire at the annual meeting. At the recommendation of the Nominating and Corporate Governance Committee, our board of directors proposes the election of Charles Thomas Burbage, Charles R. Holland and Edward R. Muller. All nominees currently serve as Class I directors. Each of Mr. Burbage, Mr. Holland and Mr. Muller was elected by stockholders at the 2013 annual meeting of stockholders.

Charles Thomas Burbage

Charles R. Holland

Edward R. Muller

Each of Mr. Burbage, Mr. Holland and Mr. Muller has indicated his willingness to serve if elected. If Mr. Burbage, Mr. Holland or Mr. Muller becomes unable to serve or for good cause will not serve, the individuals named as proxies on the enclosed proxy card will vote the shares that they represent for the election of such other persons as the board may

recommend, unless the board reduces the number of directors. There are currently three Class II directors, whose terms expire at the annual meeting of stockholders in 2017, and two Class III directors, whose terms expire at the annual meeting of stockholders in 2018.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees named above. If voting instructions are received, the proxy holders will vote the proxy cards received by them in accordance with the instructions received. In no event may the proxy holders vote for the election of more than three nominees. We have no reason to believe that the nominees will be unable or unwilling to serve if elected as directors.

The principal occupation and certain other information about the nominees, our other directors and our executive officers are set forth on the following pages.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE *"FOR"* THE ELECTION OF THE THREE BOARD NOMINEES LISTED ABOVE.

Withholdings will be counted as present for the purposes of this vote but are not counted as votes cast. Broker non-votes will not be counted as present and are not entitled to vote on the proposal.

Election Process and Voting Standard

There are no limits on the number of terms a director may serve. We believe term limits may cause the loss of experience and expertise important to the effective operation of our board of directors. However, to ensure that the board remains composed of high-functioning members able to keep their commitments to board service, the Nominating and Corporate Governance Committee evaluates the qualifications and considers the performance of each incumbent director before recommending the nomination of that director for an additional term. Our Corporate Governance Guidelines provide that at any stockholder meeting at which directors are subject to an uncontested election, each director must receive more "for" votes than "withhold" votes with respect to that director. If a director is elected but receives more "withhold" votes than "for" votes, he or she has agreed to submit a letter of resignation to the board of directors promptly following the certification of the election results. The Nominating and Corporate Governance Committee will make a recommendation to the board on whether to accept or reject the resignation, or whether other action should be taken. The board will act on the resignation taking into account the recommendation of the Nominating and Corporate Governance Committee and publicly disclose its decision and rationale within 100 days of the certification of the election results. The director who tenders the resignation will not participate in the

decisions of the Nominating and Corporate Governance Committee or the board that concern the resignation.

In addition, pursuant to our Corporate Governance Guidelines, a director whose job responsibilities materially change since his or her last election as a director may be asked to submit a letter of resignation to the board. The board may request such a resignation letter if continuing service on the board by the individual is not consistent with the criteria deemed necessary for continuing service on the board.

Director Nominations

The Nominating and Corporate Governance Committee is responsible for identifying and evaluating nominees for director and for recommending to the board a slate of nominees for the class of directors to be elected at each annual meeting of stockholders. Nominees may be suggested by directors, members of management or stockholders.

Stockholders who would like to have their recommendations for nominees for directors be considered by the Nominating and Corporate

Governance Committee should submit their recommendations in writing by mail to the Nominating and Corporate Governance Committee in care of the Office of the Corporate Secretary, AeroVironment, Inc., 800 Royal Oaks Drive, Suite 210, Monrovia, California 91016 or by email to corporatesecretary@avinc.com. Recommendations by stockholders that are made in accordance with these procedures will receive the same consideration as other nominees.

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DIRECTOR QUALIFICATIONS AND INDEPENDENCE

Directors are responsible for overseeing the company's business consistent with their fiduciary duties to stockholders. This significant responsibility requires highly skilled individuals with diverse qualities, attributes and professional experience. The board believes that there are general requirements that are applicable to all directors and others skills and experience that only need to be represented on the

board as a whole, but not necessarily possessed by each director. The board and the Nominating and Corporate Governance Committee consider the qualifications of directors and director candidates individually and in the broader context of the board's overall composition and the company's current and future needs.

Qualifications Required of All Directors

In its assessment of each potential director nominee, the Nominating and Corporate Governance Committee considers the nominee's judgment, integrity, experience, independence, understanding of the company's business or related industries and such other factors as the Nominating and Corporate Governance Committee determines are pertinent in light of the current needs of the board. The Nominating and Corporate Governance Committee also takes into account the ability of a potential nominee to devote the time and effort necessary to fulfill the responsibilities of a director to the company. The board and the Nominating and Corporate Governance Committee require that each director be a recognized person of high integrity, ethics and values, have a proven record of success and demonstrate respect for corporate governance requirements and practices. Each director must also possess practical and mature business judgment, as well as demonstrate innovative thinking and an entrepreneurial spirit, qualities the board believes are essential to its ability to maintain the company's culture of innovation. In addition, the board conducts interviews of potential director candidates to assess intangible qualities, including the individual's ability to ask difficult questions while maintaining collegiality.

Specific Qualifications, Attributes, Skills and Experience to be Represented on the Board

The board has identified the qualifications, attributes, skills and experience listed in the bullets below as important to being represented on the board as a

whole, in light of the company's current needs and the business priorities.

experience as chief executive officer, president or executive management of a public or large private company;

extensive knowledge of the company's business;

aerospace and defense industry expertise;

alternative energy, automotive or other relevant industry expertise;

global and international business experience;

strategic development experience, including mergers, acquisitions, venture capital and other strategic transactions;

diversity of expertise and experience, including substantive matters pertaining to our business, relative to other directors;

experience in marketing, engineering, technology and innovation, operations, supply chain, manufacturing and legal;

high level of financial literacy and experience;

experience as a board member of another publicly-held company;

data analytics experience;

commercial business experience; and

experience in scaling or growing a startup or small business into a significant business.

Independence Determinations

Under the listing standards of The NASDAQ Stock Market LLC, or Nasdaq, and the company's Corporate Governance Guidelines, the board must consist of a majority of independent directors. In making independence determinations, the board observes Nasdaq and SEC criteria and considers all relevant facts and circumstances. To be considered independent under Nasdaq listing standards, a director must pass certain objective tests, such as not being an executive officer or employee of the company or having certain business dealings with us. Additionally, Nasdaq independence standards include a subjective test that requires our board to make a subjective determination that an individual has no relationships which, in the opinion of the company's board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

In evaluating director independence, the board took into consideration General (Retired) Charles R. Holland's service as a consultant to the company.

Pursuant to consulting agreements with the company (one of which expired on December 31, 2015 and a new agreement executed effective January 1, 2016), Mr. Holland performs consulting services for us on a general basis and with respect to particular individual projects assigned by us. During the fiscal year ended April 30, 2016, we paid to Mr. Holland approximately $96,000 in consulting fees pursuant to the terms of his consulting agreements. The board determined that Mr. Holland has no relationship with the company, including Mr. Holland's consulting arrangement with the company, that would interfere with his exercise of independent judgment in carrying out his responsibilities as an independent director.

The board's independence determination for Mr. Muller included a review of sales made to one of our customers, NRG Energy, Inc., of which Mr. Muller is a director. The board considered the amount of sales made to NRG, which amounted to less than 1% of our total revenues in fiscal 2016, in determining that Mr. Muller is independent.

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2016 NOMINEES FOR CLASS I DIRECTORS

The board and the Nominating and Corporate Governance Committee believe that the combination of the various qualifications, skills and experience of the director nominees would contribute to an effective and well-functioning board. They also believe that the combination of the various qualifications, skills and experiences of the director nominees individually, and when combined with the other directors, will create a board possessing the necessary qualifications to provide effective oversight of the business and

strategic advice and counsel to the company's management.

Included in the biographies of the director nominees and the other directors below is an assessment of the specific qualifications, attributes, skills and experiences that such director nominees and the other members of the board provide to the board of directors and the company.

Director Nominees

Charles Thomas Burbage

Director since:	2013
Age:	68
Board Committees and Leadership:	Member of Compensation Committee, Nominating and Corporate Governance Committee and Executive Committee
Summary of Experience	Mr. Burbage has served as a member of our board of directors since 2013. Mr. Burbage retired from Lockheed Martin Aeronautics Company in April 2013, after a 33-year career during which he served most recently as Executive Vice President and General Manager, Joint Strike Fighter Program from 2000 to 2013. Mr. Burbage also served on active duty in the U.S. Navy as a Naval aviator and recorded more than 3,000 flight hours in 38 types of military aircraft before retiring as a Captain in the U.S. Naval Reserve in 1994. Mr. Burbage currently serves as a director of Terma North America, Inc. and XCOR Aerospace, a spacecraft and rocket engineering company. Mr. Burbage received a B.S. in aerospace engineering from the U.S. Naval Academy and holds an M.S. in aeronautical systems from the University of West Florida and an M.B.A. from the University of California, Los Angeles.

Specific Qualifications, Attributes, Skills and Experience:

Chief Executive Officer or Executive Experience
Mr. Burbage was the Lockheed Martin executive responsible for the F-35 Joint Strike Fighter program from its inception to adoption. He brings to the board the experience of managing a complex global program involving U.S. military and international customers and global industrial partners.

Extensive Global or International Business Experience
Mr. Burbage's leadership of the F-35 Joint Strike Fighter program involved international business development activities on a global basis. The F-35 was sold to more than 10 countries and involved a global manufacturing capability. This experience is particularly relevant to us as we pursue larger and more complex international business opportunities.

Defense Industry Related Experience
In addition to decades of experience as an executive of Lockheed Martin, Mr. Burbage previously served as a Naval aviator and test pilot. He received numerous industry awards, including the U.S. Naval Academy/Harvard Business Review Award for Ethical Leadership. His defense industry and Naval officer experience provides important insights to the board on our largest

business and customer set.

Science, Technology and Innovation Experience

Mr. Burbage has an extensive engineering background. He has a B.S. in aeronautical engineering from the U.S. Naval Academy and an M.S. in aeronautical systems from the University of West Florida. He applied this technical and engineering knowledge as a Naval aviator and in his management roles at Lockheed Martin. This background and experience is critically important to the board because of the innovative nature and technical complexity of our products.

Charles Holland

Director since:	2004
Age:	70
Board Committees and Leadership:	Member of Nominating and Corporate Governance Committee
Summary of Experience	General Holland has served as a member of our board of directors since 2004. General Holland retired as Commander, Headquarters U.S. Special Operations Command, or USSOCOM, in November 2003 and currently serves as an independent consultant for various entities. Mr. Holland has been a consultant of the company since February 2004. Prior to his retirement, Mr. Holland was responsible for all special operations forces of the Army, Navy and Air Force, both active duty and reserve. Mr. Holland entered the United States Air Force in 1968. He has commanded a squadron, two Air Force wings, served as Deputy Commanding General of the Joint Special Operations Command, and was Commander of the Special Operations Command, Pacific. Prior to commanding USSOCOM, he commanded the Air Force Special Operations Command and was the Vice Commander of U.S. Air Forces in Europe. Mr. Holland serves on the board of directors of a number of private companies in the defense industry, including SELEX Galileo, Inc., Augusta Westland N.A. Inc., and TENAX Aerospace and on the Executive Advisory Board of Cubic Global Defense along with being on the Advisory Boards of General Atomics Aeronautical Systems, Inc. and Camber Corporation. Mr. Holland has a B.S. in aeronautical engineering from the U.S. Air Force Academy, an M.S. in business management from Troy State University (W. Germany) and an M.S. in astronautical engineering from the Air Force Institute of Technology.

Specific Qualifications, Attributes, Skills and Experience:

Defense Industry and Senior Military Experience
Mr. Holland brings to the board of directors his perspective and expertise as a warfighter and senior commander and as a senior consultant to the defense industry. He offers critical insight into the needs and demands of our UAS customers.

Extensive Knowledge of the Company
As a result of General Holland's years of experience as a director and his service as a consultant to the company, he has extensive knowledge of our products, business and personnel, which provides a valuable perspective to the board.

Extensive Global or International Business Experience

As a result of his military service and consulting experience, General Holland has extensive international business experience, including knowledge of international military customers, which is highly relevant to our expanding international UAS business.

Science, Technology and Innovation Experience

General Holland has extensive experience working with aerospace and other engineering and technology companies and currently serves on the board of directors of several companies in such industries, including SELEX Galileo, Augusta Westland N.A., and TENAX Aerospace, and on the advisory board of Cubic Global Defense, General Atomics Aeronautical Systems, Inc., and Camber Corporation. He also holds a bachelor's degree in aeronautical engineering and a master's degree in astronautical engineering. General Holland's significant experience working with technology companies is valuable to the board given the company's product lines and the industries in which the company operates.

Edward R. Muller

Director since:	2013
Age:	64
Board Committees and Leadership:	Chair of Audit Committee and member of Compensation Committee
Summary of Experience	Mr. Muller has served as a member of our board of directors since 2013. Mr. Muller has served as Vice Chairman of NRG Energy, Inc., or NRG, a U.S. based producer and retail supplier of electricity since December 2012. Prior to the merger in 2012 of NRG and GenOn Energy Inc., Mr. Muller served as the Chairman and Chief Executive Officer of GenOn, which also produced and sold electricity in the United States, a position he held beginning in 2010. From 2005 to 2010, Mr. Muller was Chairman and Chief Executive Officer of Mirant Corporation, which produced and sold electricity in the United States and internationally. Previously, Mr. Muller served as President and Chief Executive Officer of Edison Mission Energy until 2000, which produced electricity in the United States and internationally. Mr. Muller previously served as Vice President, Chief Financial Officer, General Counsel and Secretary of Whittaker Corporation, a conglomerate with activities in aerospace, chemicals, healthcare and metals. Mr. Muller serves as a director of Transocean Ltd., an offshore oil and gas driller, and previously served as a director of Contact Energy, Ltd., Edison Mission Energy, Interval, Inc., Oasis Residential, Inc., Ormat Technologies, Inc., RealEnergy, Inc., RigNet Inc., Strategic DataCorp., The Keith Companies, Inc., and Whittaker Corporation. Mr. Muller is a member of the Council on Foreign Relations, the Pacific Council on International Policy and the Board of Trustees of the Riverview School, which he chairs, and previously was Chairman of the U.S.-Philippines Business Committee and Co-Chairman of the International Energy Development Council. Mr. Muller received his undergraduate degree from Dartmouth College and a J.D. from Yale Law School.

Specific Qualifications, Attributes, Skills and Experience:

Chief Executive Officer and Executive Experience
Mr. Muller brings broad and extensive executive leadership experience to our board, having served as Chief Executive Officer of large companies producing electricity for more than 15 years and as Chief Financial Officer and General Counsel of Whittaker Corporation.

Related Industry Experience Energy
Mr. Muller provides the board with an intimate understanding of the U.S. and global electricity industry in support of the company's electric vehicle strategy, international business operations and multi-product portfolio strategy.

Public Company Board Experience
Serving or having served as a director of 11 different public companies, Mr. Muller brings tremendous business and corporate governance oversight experience to the company and its board.

Financial Expertise
Mr. Muller has extensive financial and accounting experience as a Chief Executive Officer of several energy companies and as Chief Financial Officer of Whittaker Corporation and from serving on numerous public company audit committees. Our board and Audit Committee benefit from Mr. Muller's extensive financial and accounting experience.

Extensive Global or International Business Experience
Mr. Muller has extensive international business experience and is a recognized expert on international policy and energy development. Besides his substantial international business experience as a Transocean Ltd. director, Mr. Muller serves as a Member of the Council on Foreign Relations, the Pacific Council on International Policy and was previously Chairman of the U.S.-Philippines Business Committee and Co-Chairman of the International Energy Development Council.

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Continuing Directors

Timothy E. Conver

Director since:	1988
Age:	72
Board Committees and Leadership:	Member of Executive Committee
Summary of Experience	Mr. Conver served as our President from November 1990 and as our Chief Executive Officer from 1992 until his retirement in May 2016. Prior to joining AeroVironment, Mr. Conver served as President of Whittaker Electronic Resources, a supplier of engineered products for military electronics and industrial instrumentation, for 10 years. Mr. Conver is a graduate of the University of Montana and received his M.B.A. from the University of California, Los Angeles.

Specific Qualifications, Attributes, Skills and Experience:

Chief Executive Officer and Executive Experience
Mr. Conver has extensive executive leadership experience, having served as the Chief Executive Officer of the company for over 20 years and as President of Whittaker Electronic Resources for 10 years.

Extensive Knowledge of the Company's Business
His knowledge of all aspects of our business and history and his extensive experience managing companies providing high-technology solutions to military and industrial customers, and deploying practical innovation focused on current and future customer needs, position him well to serve as a director and as our Chairman of the Board.

Defense Industry Experience
Mr. Conver's extensive knowledge and experience in the defense industry was gained through a long and successful career focused on providing high-technology products and innovation to defense customers throughout the U.S. government and internationally.

Commercial Business Experience
Mr. Conver has considerable experience in the commercial aerospace and industrial industries from his service as President of Whittaker Electronic Resources and Chief Executive Officer of the company. His experience in commercial business is beneficial to the board as the company expands its commercial business operations.

Arnold L. Fishman

Director since:	1998
Age:	71
Board Committees and Leadership:	Lead Independent Director; Chair of Compensation Committee
Summary of Experience	Mr. Fishman has served as a member of our board of directors since 1998. Mr. Fishman is the founder of Lieberman Research Worldwide, a leading global market research firm, and Interviewing Service of America, a supplier of market survey services. Mr. Fishman served as the Chairman of Lieberman Research Worldwide and Interviewing Service of America from 1979 and 1983, respectively, until July 2015 when he sold his interests in the companies. Mr. Fishman received his B.S. in psychology from Brooklyn College.

Specific Qualifications, Attributes, Skills and Experience:

Chief Executive Officer and Executive Experience
Mr. Fishman has extensive executive experience as the founder of a market research business and market survey business that grew under his leadership to a company that now conducts market research in over 80 countries around the world.

Extensive Knowledge of the Company
Mr. Fishman has extensive knowledge and understanding of the company's business, products and personnel gained from 17 years of service as a director.

Related Industry Experience Marketing and Communication
Mr. Fishman brings to the board critical insight into purchasing behaviors and communications and their relationship to successful business decision-making, which is important to our expanding commercial and consumer products businesses.

Science, Technology and Innovation Experience
Mr. Fishman has a track record of successfully developing and implementing innovative business models and practices as an entrepreneur, having founded and led several innovative market research businesses. Mr. Fishman serves as Co-Chairman of AppliedVR, LLC, a technology company using virtual reality to alter behavior in positive ways covering health, safety training, police empathy and other social issues. Mr. Fishman also represented a major film production studio in Croatia and created various innovative film financing vehicles supporting co-productions with major U.S. studios. This background and experience provides an important perspective to the board given the company's innovative culture and long history of successful innovation.

Catharine Merigold

Director since:	2015
Age:	60
Board Committees and Leadership:	Member of Audit Committee
Summary of Experience	Ms. Merigold has been investing in and advising high-growth technology businesses for over 20 years as a venture capitalist. She was a Vice President at Centennial Ventures from 1992 to 1994, and then founded and has been the managing partner of Vista Ventures, a venture firm specializing in investing in software, digital media and network sectors, since January 2000. Prior to founding Vista Ventures, Ms. Merigold served as the President and Chief Executive Officer of University Technology Corporation, a company that managed all technology transfer and associated equity holdings for the University of Colorado system, from 1999 to 2000, and as Vice President of Marketing and Sales for US West Wireless. She began her career at Hewlett-Packard Company, serving in a variety of technical, marketing and sales management roles, including several years spent in Europe. Ms. Merigold has served on a number of corporate boards and currently serves as a board observer for Market Force Information, Inc., a provider of customer intelligence solutions to large consumer companies, and a board member of P2Binvestor, Inc., a crowdlending platform providing asset based lines of credit to businesses, the Colorado Technology Association, and University License Equity Holdings Inc. (ULEHI), which manages all the equity holdings associated with technology transfer of the University of Colorado. Ms. Merigold holds a B.S. in electrical engineering, with honors, from Washington University in St. Louis and an M.B.A. from Stanford University.

Specific Qualifications, Attributes, Skills and Experience:

Extensive Global or International Business Experience
Ms. Merigold has substantial international business experience gained from her experience at Hewlett-Packard in Europe and previous experience working for

the French power company EDF-GDF. Her international experience is important to the board given the company's growing international business.

Science, Technology and Innovation Experience
As a venture capitalist, Ms. Merigold has experience working with numerous technology companies and companies providing innovative solutions, including serving as a board member of P2Binvestor, Inc. and Tendril Networks, Inc., a provider of energy services management software. Given the company's innovative culture and the technical nature of its products, Ms. Merigold's experience working with technology companies provides useful insight to the board.

Related Industry Experience   Marketing
Ms. Merigold provides the board with unique insight into marketing and consumer purchasing behaviors, gained through experience in marketing positions with Hewlett-Packard and US West Wireless, and as a director of Market Force Information. Her extensive knowledge of marketing and purchasing behavior provides the board with critical knowledge for the expansion of our commercial business.

Investment Expertise
Ms. Merigold has seved as a venture capitalist for over twenty years, serving as Vice President and a Partner of Centennial Ventures and later founding and serving as Managing Partner of Vista Ventures. Her significant experience as a venture capitalist has provided her with key understanding of the variables that lead to high-growth success of businesses, which enables Ms. Merigold to provide valuable insight to the board in evaluating potential strategic investments and opportunities.

Experience Scaling and Growing Startup and Small Business
Through her venture capital experience, Ms. Merigold has gained extensive experience helping companies navigate their way through the startup and high growth phases into becoming a significant operational business. Her experience working with high-growth companies in a variety of industries brings valuable knowledge to the board regarding scaling and growing business into successful businesses, which assists the board in evaluating the company's growth strategy for new market opportunities and potential strategic arrangements.

Data Analytics Experience
Ms. Merigold brings to the board critical knowledge of data analytics, gained through her experinece at US West Wireless, where she implemented and oversaw a data analytics program, as well as through her role as an advisory board member at Market Force Information, which utilizes data analytics in its products and services. Her experience with data analytics is very valuable to the board as the company grows its commercial business.

Wahid Nawabi

Director since:	2016
Age:	47
Board Committees and Leadership:	
Summary of Experience	Mr. Nawabi has served as our President and Chief Executive Officer since May 2016. Previously, Mr. Nawabi served as our President and Chief Operating Officer from January 2016 to May 2016 and as Senior Vice President and Chief Operating Officer from April 2015 to January 2016. He also served as Senior Vice President and General Manager, Efficient Energy Systems from December 2011 to April 2015. Prior to joining the company, Mr. Nawabi served as Vice President, Global Sales of Altergy Systems, a designer and manufacturer of fuel cell power systems, from March 2010 through November 2011, and as Vice President, Americas, and Vice President, Global Sales for C&D Technologies, a producer and marketer of electrical power storage and conversion products, from February 2009 through March 2010. Prior to joining C&D Technologies, Mr. Nawabi worked for 16 years with American Power Conversion Corporation, a provider of power protection products and services, in a succession of positions of increasing responsibility, most recently as Vice President, Enterprise Segment, North America and Canada. During his 16 year tenure at American Power Conversion, Mr. Nawabi was instrumental to the company's growth into global market leadership positions in power protection and data center physical infrastructure, with significant roles in starting and growing the company's data center physical infrastructure business and in developing and expanding the company's business across Europe and Asia. Mr. Nawabi has a B.S. in electrical engineering from the University of Maryland, College Park.

Specific Qualifications, Attributes, Skills and Experience:

Chief Executive Officer and Executive Experience
Mr. Nawabi brings significant executive and leadership experience to the board from his experience in various executive roles at the company since 2011 and his prior experience at Altergy Systems, C&D Technologies and American Power Conversion.

Extensive Knowledge of the Company's Business
Mr. Nawabi has gained extensive knowledge of our business operations since joining our company in 2011 as Senior Vice President and General Manager, Efficient Energy Systems. His knowledge of all aspects of our business, operations and products, including his current service as our President and Chief Executive Officer, allows him to bring valuable practical information and insight to the board.

Extensive Global or International Business Experience
Through his experience as Vice President, Global Sales of Altergy Systems and of C&D Technologies, as well as his service as our Chief Operating Officer, President and Chief Executive Officer, Mr. Nawabi has gained extensive international business experience. At C&D Technologies, Mr. Nawabi helped expand and grow the business throughout Latin America, which led to the expansion of the company's presence both in manufacturing capacity as well as sales, marketing and customer service in such regions. Additionally, Mr. Nawabi helped develop American Power Conversion's business across Europe and Asia. As our international sales continue to increase, Mr. Nawabi's international experience will be a valuable asset to our board.

Science Technology and Innovation Experience
As the General Manager of the company's EES business segment, Mr. Nawabi oversaw the launch of multiple innovative and successful new products to market and was responsible for revamping the division's product development processes, which were eventually implemented across the company's UAS segment as well. Additionally, while at American Power Conversion, Mr. Nawabi was instrumental in launching numerous innovative products to market, many of which were recognized as "industry firsts."

Experience Scaling and Growing Startup and Small Business
During his tenure at American Power Conversion, Mr. Nawabi was instrumental and led the core leadership team in growing and scaling the company's data center physical infrastructure business, taking the business from its inception to a global leader with $600 million in annual global revenues. Mr. Nawabi's experience in growing and scaling businesses will provide valuable insight to the board as the company seeks to grow its commercial operations and evaluates potential strategic transactions.

Data Analytics Experience
During his tenure at American Power Conversion, Mr. Nawabi was involved in the development and marketing of complex software and data analytics products, including the StruxureWare software platform, to the global data center physical infrastructure market which helped customers monitor and make more informed decisions regarding their data center critical infrastructure. Mr. Nawabi's experience with the development and marketing of the StruxureWare software platform, which was internally developed by American Power Conversion during Mr. Nawabi's tenure at the company, provided him with significant hands on experience and knowledge of data analytics, which will be of benefit to AeroVironment as it expands its commercial UAS business.

Stephen F. Page

Director since:	2013
Age:	76
Board Committees and Leadership:	Member of Audit Committee and Chair of Nominating and Corporate Governance Committee
Summary of Experience	Mr. Page has served as a member of our board of directors since 2013. Mr. Page has served on the board of directors and audit committees of Lowe's Companies, Inc., a home improvement retailer, from 2003 to 2012, PACCAR, Inc., one of the largest manufacturers of medium and heavy duty trucks in the world, from 2004 to 2012, and Liberty Mutual Holding Company Inc., one of the largest property and casualty insurance companies in the U.S., where he was lead director. Before retiring in 2004, Mr. Page served in many leadership roles at United Technologies Corporation, a provider of high-technology products and services to the global aerospace and building systems industries, including director, Vice Chairman and Chief Financial Officer, and President and Chief Executive Officer of Otis Elevator, an $8 billion division of United Technologies. Mr. Page holds a B.S. in business administration from Loyola Marymount University and J.D. from Loyola Law School.

Specific Qualifications, Attributes, Skills and Experience:

Chief Executive Officer and Executive Experience

Mr. Page has extensive executive leadership experience at large public companies. He served as Chief Financial Officer of United Technologies, a global provider of high-technology products and support services in the aerospace and building industries with current revenues of over $60 billion, and he also served as Chief Executive Officer of Otis Elevator, an $8 billion revenue operating unit of United Technologies, as Chief Financial Officer of Black & Decker Corporation, a manufacturer of power tools, and as General Counsel of the McCullough Corporation subsidiary of Black & Decker.

Extensive Global or International Business Experience

Mr. Page gained extensive experience leading international businesses in his executive leadership roles at United Technologies and as a director of PACCAR. This international business experience is extremely valuable to us as international business becomes an increasingly important component of our business.

Defense and Related Industry Experience

From his experience in leadership roles at United Technologies, Mr. Page brings highly relevant experience to our military-focused unmanned aircraft systems business. As a director of PACCAR, one of the world's largest manufacturers of medium and heavy-duty trucks, Mr. Page gained experience relevant to our electric vehicle products.

Commercial Business Experience

Mr. Page gained substantial experience in commercial business operations through his positions at United Technologies and Black & Decker Corporation. Mr. Page's commercial business experience is of significant importance to the board as the company expands its commercial operations.

Public Company Board Experience

Mr. Page's service as Vice Chairman of United Technologies and as the Lead Independent Director at Liberty Mutual and his experience as a director of United Technologies, PACCAR and Lowe's provides us with valuable corporate governance and board leadership experience.

Financial Expertise

Having served as Chief Financial Officer of two major public companies and as Audit Committee Chair of Lowe's, PACCAR and Liberty Mutual, Mr. Page brings a wealth of financial, capital allocation and audit committee experience to the company and the board.

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SUMMARY OF DIRECTOR NOMINEES

The following information and graphics summarizes the qualifications of the nominees for Class I director and the other members of the board. Based on a careful assessment, the Nominating and Corporate Governance Committee and the board concluded that each nominee is qualified to serve as a director and that the collective board, including the nominees for election, possess the necessary qualifications, attributes, skills and experience to provide effective oversight of the business and provide strategic advice and counsel to the company's management.

All nominees and other directors exhibit:

- High integrity
- Innovative thinking
- Proven record of success
- Knowledge of corporate governance

Our director nominees and other directors bring a balance of important skills to our boardroom

The fact that an item is not highlighted for a director does not mean that the director does not possess that qualification, attribute, skill or experience.

Our director nominees and other directors provide an effective mix of experience and fresh perspective.

INDEPENDENCE

PRIOR BOARD SERVICE

CORPORATE GOVERNANCE

Board of Directors and Committees

Our board of directors functions in a collaborative manner and all directors play an active role in overseeing the company's business both at the board and committee levels. The 2016 director nominees consist of three Class I director nominees, all of whom are independent directors and each of whom has significant executive leadership experience and extensive knowledge of the company's business.

Pursuant to our bylaws, our board must annually elect one of its members to serve as Chairman of the Board, who shall preside over meetings of the board and stockholders, consult and advise the board and its committees on the business and affairs of the company, and perform such other duties as may be assigned by the board. Our bylaws also require the board to designate annually an independent director to serve as the Lead Independent Director. The designation of a Lead Independent Director is for a one-year term and a Lead Independent Director may be eligible for re-election at the end of that term. Designation as such does not impose on the Lead Independent Director any obligation or standard greater than or different from those of the company's other directors. The Lead Independent Director has the following roles and responsibilities:

presides at all meetings of the board or stockholders at which the Chairman of the Board is not present;

serves as a liaison on board-related issues between the Chairman of the Board and the independent directors;

reviews and provides input to the Chairman of the Board regarding the nature, scope and timeliness of information that management provides to the board;

reviews and provides input to the Chairman of the Board regarding the agendas for board meetings and the annual schedule of board meetings;

presides at meetings of the independent directors and apprises the Chairman of the Board of the issues discussed, as appropriate; and

performs such other duties as the board may from time to time delegate.

Our officers, under the direction of our Chief Executive Officer, are generally in charge of the day-to-day affairs of the company, subject to the powers reserved to the board.

As set forth in the company's Corporate Governance Guidelines, regularly scheduled executive sessions of independent directors are held at least twice per year. In addition, the non-employee directors also hold regular executive sessions. These meetings allow our independent and non-employee directors to discuss issues of importance to the company, including the business and affairs of the company, as well as matters concerning management, without any member of management present. Independent directors chair all of the board committees (except our Executive Committee), which are described below.

We do not have a formal policy regarding the separation of the roles of Chairman of the Board and Chief Executive Officer. The company's governance framework provides the board with flexibility to select the appropriate leadership structure for the company. In making leadership structure determinations, including whether to separate or combine the Chairman of the Board and Chief Executive Officer roles, the board considers many factors, including the specific needs of the business and what is in the best interests of the company's stockholders.

Board Leadership Structure

Our current leadership structure is as follows:

Chairman of the Board: Timothy E. Conver

Lead Independent Director: Arnold Fishman

Chief Executive Officer: Wahid Nawabi

Committees led by independent directors

Active engagement by all directors

The board believes that our current leadership structure, which consists of a non-independent Chairman of the Board, a separate Chief Executive Officer who is also a member of the board, an independent director serving as Lead Independent Director and strong, active independent directors, is the optimal structure to guide our company and maintain the focus required to achieve our business goals. The board believes this structure provides an effective balance between strong company leadership and appropriate safeguards and oversight by independent directors.

Prior to May 2016, Mr. Cover served as our Chairman of the Board and Chief Executive Officer. Upon Mr. Conver's retirement as our Chief Executive Officer on May 2, 2016, a position Mr. Conver held since 1992, the board separated our Chairman of the Board and Chief Executive Officer positions, with Mr. Conver continuing as our Chairman of the Board and Mr. Nawabi assuming the role of Chief Executive Officer.

The board determined that separating the roles of Chairman of the Board and Chief Executive Officer is the most appropriate structure at this time, as it permits Mr. Nawabi to focus his full attention to our business and operations during this leadership transition period. Additionally, this structure allows Mr. Conver, who has extensive knowledge of our business and operations as our former President and Chief Executive Officer, to focus his attention to the company's strategic issues considered by our board. In addition, the board believes that Mr. Conver's interest as a significant stockholder is strongly aligned with his fiduciary duties as a director of the company.

Role in Risk Oversight

Our board of directors is responsible for overseeing our risk management. The board delegates many of these functions to the Audit Committee. Under its charter, the Audit Committee is responsible for discussing with management the company's policies with respect to risk assessment and risk management. The committee is chartered to discuss with management our significant risk exposures and the actions management has taken to limit, monitor or control such exposures. In addition to the Audit Committee's work in overseeing risk management, our full board engages in discussions of the most significant risks that we face and how these risks are being managed.

Board Meetings

Under the company's bylaws, regular meetings of the board are held at such times as the board may determine. Special meetings of the board may be called by the Chairman of the Board or the President on 48 hours' notice to each director or by the President or the Corporate Secretary after receiving a written request of two directors on 48 hours' notice. The board held 9 meetings in fiscal year 2016. Each director attended at least 75% of all meetings of the board of directors and each committee on which he or she sat during fiscal year 2016.

Annual Meeting Attendance

The company does not have a formal policy regarding directors' attendance at annual meetings of

stockholders, but encourages all directors to attend such meetings. All members of our board, who were serving as directors at the time, attended the 2015 annual meeting of stockholders.

Board Committees

The board has an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and an Executive Committee. The board has adopted a written charter for each of these committees which is available on the company's website www.avinc.com by clicking on "Investors" and then "Corporate Governance." All of the members of each of these standing committees (other than the Executive Committee) meet the criteria for independence prescribed by the SEC and Nasdaq. The information contained on our website is not incorporated by reference into, and does not form a part of, this proxy statement. Our board of directors may establish other committees to facilitate the management of our business. Additional information about the committees is provided below.

Audit Committee

Committee Chair:	Edward R. Muller
Other Committee Member:	Stephen F. Page and Catharine Merigold
Meetings held in FY 2016:	6

The board has determined that Mr. Muller and Mr. Page qualify as audit committee financial experts as defined by the rules of the SEC. All committee members are able to read and understand fundamental financial statements in accordance with Nasdaq requirements. Our Audit Committee's main function is to oversee our accounting and financial reporting processes, internal systems of control, independent registered public accounting firm relationships and the audits of our financial statements. This committee's responsibilities include:

selecting and hiring our independent registered public accounting firm;

evaluating the qualifications, independence and performance of our independent registered public accounting firm;

reviewing and approving the audit and non-audit services to be performed by our independent registered public accounting firm;

reviewing the design, adequacy, implementation and effectiveness of our internal controls established for finance, accounting, legal compliance and ethics;

reviewing the design, adequacy, implementation and effectiveness of our critical accounting and financial policies;

overseeing and monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;

reviewing with management and our independent registered public accounting firm our annual and quarterly financial statements;

reviewing with management and our independent registered public accounting firm any earnings announcements or other public announcements concerning our operating results;

establishing procedures for the receipt, retention and treatment of complaints (including procedures for receiving and handling complaints on a confidential and anonymous basis) regarding accounting, internal accounting controls or auditing matters, including employee concerns regarding questionable accounting or auditing matters;

preparing the audit committee report that the SEC requires in our annual proxy statements; and

reviewing and approving any related party transactions.

The Code of Business Conduct and Ethics, or code of conduct, is our code of ethics for directors, executive officers and employees. Any amendment to the code of conduct that applies to our directors or executive officers may be made only by the board or a board committee and will be disclosed on our website. The code of conduct is available at http://investor.avinc.com. The Audit Committee charter and the code of conduct are also available in print to any stockholder who requests them.

Compensation Committee

Committee Chair:	Arnold L. Fishman
Other Committee Members:	Charles Thomas Burbage and Edward R. Muller
Meetings held in FY 2016:	6

Our Compensation Committee's purpose is to assist our board of directors in determining the development plans and compensation for our senior management and the compensation to be paid to directors for board

and committee service. The Compensation Committee of our board is comprised of three independent directors. The Compensation Committee's responsibilities with respect to executive compensation are:

to review our compensation philosophy;

to review and recommend to the board corporate goals and objectives relating to the compensation of our Chief Executive Officer, evaluate the performance of our Chief Executive Officer in light of those goals and objectives and review and recommend to the board the compensation of our Chief Executive Officer (unless such decisions require approval by our Compensation Committee to the extent such compensation is intended to be qualified performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code);

to review and approve all compensation of our executive officers and all other officers subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act;

to review all employment agreements and severance arrangements of executive officers;

to review all annual bonus, long-term incentive compensation, stock option, employee pension and welfare benefit plans;

to review and approve the Compensation Discussion and Analysis contained in this proxy statement; and

to review and approve executive officer indemnification and insurance matters.

In addition, the Compensation Committee is responsible for the general administration of all executive compensation plans, including:

setting performance goals for our executive officers and reviewing their performance against these goals;

approving all amendments to, and terminations of, all compensation plans and any awards under such plans;

granting awards under any performance-based annual bonus, long-term incentive compensation and equity compensation plans to executive officers; and

making recommendations to the board with respect to awards for directors under our equity incentive plans.

In addition, the Compensation Committee has the sole authority, in accordance with applicable securities laws, rules and regulations and Nasdaq listing standards, to retain and/or replace, as needed, any independent counsel, compensation and benefits consultants and other outside experts or advisors as the Compensation Committee believes to be necessary or appropriate. The Compensation Committee is responsible for the appointment, compensation and oversight of the work of any compensation advisors retained by the Compensation Committee. Subject to any exceptions under the Nasdaq listing standards, prior to selection and engagement of any compensation advisor, the Compensation Committee will undertake an analysis of the independence of each such compensation advisor under the independence factors specified in the applicable requirements of the Exchange Act and the Nasdaq listing standards. The company will provide for appropriate funding, as determined by the Compensation Committee in its sole discretion, for payment of compensation to any compensation advisors retained by the Compensation Committee.

Compensation Committee Interlocks and Insider Participation

The current members of our Compensation Committee are Arnold L. Fishman, Charles Thomas Burbage, and Edward R. Muller. None of the current or proposed members of our Compensation Committee at any time has been one of our executive officers or employees. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or Compensation Committee of any entity that has one or more executive officers serving on our board of directors or Compensation Committee.

Nominating and Corporate Governance Committee

Committee Chair:	Stephen F. Page
Other Committee Members:	Charles Thomas Burbage Charles R. Holland
Meetings held in FY 2016	6

Our Nominating and Corporate Governance Committee's purpose is to assist our board by identifying individuals qualified to become members of our board of directors, consistent with criteria set by our board, and to develop our corporate governance principles. This committee's responsibilities include:

evaluating the composition, size and governance of our board of directors and its committees and making recommendations regarding future planning and the appointment of directors to our committees;

administering a policy for considering stockholder nominees for election to our board of directors;

evaluating and recommending candidates for election to our board of directors;

overseeing our board of directors' performance and self-evaluation process; and

reviewing our corporate governance principles and providing recommendations to the board regarding possible changes.

Our board of directors believes that it should be composed of directors with varied, complementary backgrounds and that directors should, at a minimum, have expertise that may be useful to the company. Directors should also possess the highest personal and professional ethics and should be willing and able to devote the required amount of time to our business.

When evaluating director candidates, the Nominating and Corporate Governance Committee takes into account the degree to which a candidate fulfills the criteria contained in the Corporate Governance Guidelines and other factors consistent with those guidelines, including the following:

independence from management;

personal and professional integrity, ethics and values;

practical and mature business judgment;

experience as a Chief Executive Officer, President or other executive officer of a public or large private company;

extensive knowledge of the company's business or experience in one or more industries in which we compete, including aerospace and defense, alternative energy, automotive or industrials;

global and international business experience;

strategic development activities, including mergers, acquisitions, partnerships and venture capital transactions;

experience in marketing, engineering, technology and innovation, operations, supply chain and manufacturing, and legal;

a high degree of financial literacy and experience;

experience as a board member of another publicly-held company;

diversity of expertise and experience in substantive matters pertaining to our business relative to other board members;

data analytics experience;

commercial business experience; and

experience in scaling or growing a startup or small business into a significant business.

The Nominating and Corporate Governance Committee will consider candidates for director suggested by stockholders applying the criteria for candidates described above and considering the additional information referred to below. Stockholders wishing to suggest a candidate for director should write to the Corporate Secretary and include:

a statement that the writer is a stockholder and is proposing a candidate for consideration by the committee;

the name of and contact information for the candidate;

a statement detailing any relationship between the candidate and any of our customers, suppliers or competitors;

with respect to each of the proposing stockholder and the candidate, the class and number of shares of our capital stock which are, directly or indirectly, owned beneficially or of record;

with respect to each of the proposing stockholder and the candidate, any derivative, swap or other transaction, or series of transactions, the purpose or effect of which is to give such party economic risk similar to ownership of shares of our capital stock;

with respect to each of the proposing stockholder and the candidate, any proxy, agreement, arrangement, understanding or relationship that confers a right to vote any of our shares of capital stock;

with respect to each of the proposing stockholder and the candidate, any agreement, arrangement, understanding or relationship engaged in, directly or indirectly, to reduce the level of risk of loss to, or increase or decrease the voting power of, such party with respect to our shares of capital stock, or which provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of our shares of capital stock;

with respect to each of the proposing stockholder and the candidate, any right to dividends on any of our shares of capital stock owned beneficially by such party that are separated from our underlying shares of capital stock;

with respect to each of the proposing stockholder and the candidate, opportunity to profit from, or any performance-related fees such party is entitled to, based on the increase or decrease in the value of any of our shares of capital stock;

all information relating to the proposing stockholder and the candidate that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies or consents for election of directors in a contested election pursuant to Section 14 of the Exchange Act (including such candidate's written consent to being named in the proxy statement as a nominee and to serving as a director if elected);

a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the proposing stockholder, on the one hand, and the candidate, his or her respective affiliates and associates, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K promulgated under the Exchange Act if such proposing stockholder were the "registrant" for purposes of such rule and the candidate were a director or executive officer of such registrant; and

a completed and signed questionnaire, representation and agreement with respect to the candidate's background, any voting commitments or compensation arrangements and the candidate's commitment to abide by our Corporate Governance Guidelines.

In addition, we may require any candidate to furnish such other information as may reasonably be required by us to determine the eligibility of such candidate to serve as an independent director in accordance with our Corporate Governance Guidelines or that could be material to a reasonable stockholder's understanding of the independence or lack of independence of such candidate.

Before nominating a sitting director for re-election at an annual meeting, the Nominating and Corporate Governance Committee will consider:

the director's performance on the board of directors; and

whether the director's re-election would be consistent with our Corporate Governance Guidelines.

Executive Committee

Committee Chair:	Timothy E. Conver
Other Committee Members:	Charles Thomas Burbage
Meetings held in FY 2016:	0

Our Executive Committee's purpose is to exercise the powers of the board of directors when the board is not in session, subject to specific restrictions as to powers retained by the full board of directors or delegated to other committees of the board of directors. Powers retained by the full board of directors include those relating to amendments to our certificate of incorporation and bylaws, mergers, consolidations and sales or exchanges involving substantially all of our assets.

Board Self-Evaluations

The board of directors conducts annual self-evaluations to assess the qualifications, attributes, skills and experience represented on the board and to determine whether the board and its committees are functioning effectively. During the year, the Nominating and Corporate Governance Committee receives input on the board and committee performance from directors and discusses the input with the full board. The self-assessment focuses on the board's contribution to the company and on areas in which the board believes that the board or any of its committees could improve.

Communication with the Board

The board has established a process to facilitate communication with stockholders and other interested parties. Communications can be addressed to the directors in care of the Corporate Secretary, 800 Royal Oaks Drive, Suite 210, Monrovia, CA 91016 or by

email to corporatesecretary@avinc.com. At the direction of the board, all mail received may be opened and screened for security purposes. The board of directors has requested that certain items that are unrelated to the duties and responsibilities of the board of directors should be excluded, including the following: junk mail and mass mailings; product complaints; product inquiries; new product suggestions; resumes and other forms of job inquiries; surveys; and business solicitations or advertisements. In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will not be distributed, with the provision that any communication that is not distributed will be made available to any independent director upon request. Mail addressed to a particular director will be forwarded or delivered to that director. Mail addressed to "outside directors" or "non-employee directors" will be forwarded or delivered to the Lead Independent Director. Mail addressed to the "board of directors" will be forwarded or delivered to the Chairman of the Board.

Commitment to Good Corporate Governance

The board has adopted various policies and guidelines as part of the company's commitment to good corporate governance. Examples of such polices include:

anti-hedging and anti-short sale polices for executives, directors and employees;

share ownership guidelines and share retention policy for executives and directors; and

a compensation recovery policy for executives.

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DIRECTOR COMPENSATION

Compensation of Non-Employee Directors

The general policy of our board of directors is that compensation for non-employee directors should be a mix of cash and equity-based compensation. We do not pay management directors for board service in addition to their regular employee compensation. Our Compensation Committee, which consists solely of independent directors, has the primary responsibility for reviewing and considering any revisions to director compensation. The board of directors reviews the Compensation Committee's recommendations and determines the amount of director compensation.

The Compensation Committee's independent compensation consultant during fiscal year 2016, Compensia, Inc., a national compensation consulting firm, assisted the board of directors in setting director compensation for fiscal year 2016.

In June 2015, Compensia provided recommendations regarding our director compensation programs based on director compensation data compiled from the annual reports and proxy statements of companies generally considered comparable to us as determined by the Compensation Committee. The fiscal year 2016 peer group consisted of the companies listed below. The peer companies had a median twelve month trailing revenue of $668 million versus our trailing twelve month revenue of $246 million and a median market capitalization of $968 million versus our market

capitalization of $611 million, calculated by Compensia in June 2015.

Aerojet Rocketdyne Holdings, Inc.
American Science & Engineering, Inc.
Astronics Corporation
Cubic Corporation
DigitalGlobe, Inc.
Ducommun Incorporated
II-VI Incorporated
iRobot Corporation
KVH Industries, Inc.
LMI Aerospace, Inc.
Maxwell Technologies, Inc.
Mercury Systems, Inc.
OSI Systems, Inc.
The KEYW Holding Corporation
ViaSat, Inc.

Our board of directors establishes the various components of director compensation with the goal of ensuring that the program is generally competitive with peer practices. After reviewing the peer group compensation data provided by Compensia, the board decided that the annual cash retainer fees and the value of annual equity compensation provided to non-employee directors for fiscal 2016 service should remain at the same levels as in effect for fiscal 2015.

The table below presents the annual cash retainer fees for our non-employee directors in effect in fiscal year 2016.

Director Responsibilities	Annual Retainer
Board Members	$45,000
Lead Independent Director	$10,000

Chair of Audit Committee	$16,000
Audit Committee Member (not including Chair)	$ 6,000
Chair of Nominating and Corporate Governance Committee	$10,000
Nominating and Corporate Governance Committee Member (not including Chair)	$ 2,500
Chair of Compensation Committee	$12,000
Compensation Committee Member (not including Chair)	$ 4,000

Annual retainer amounts are paid in four equal quarterly installments at the beginning of each of our fiscal quarters if the individual is still serving as a director at such time. We also reimburse

non-employee directors for out-of-pocket expenses incurred in connection with their service as a director, such as attending board or committee meetings.

In addition to cash retainer fees, our continuing non-employee directors receive an annual grant of restricted stock awards with an aggregate value of $110,000 on the date of grant (measured by the fair market value per share of our common stock subject to the awards on the date of grant). Newly elected or appointed non-employee directors will be granted restricted stock awards with an aggregate value of $170,000 on the date of grant (measured by the fair market value per share of our common stock subject to the awards on the date of grant). The annual and new director equity grant values were determined by the board to be competitive with non-employee director annual equity awards at comparable companies based on Compensia benchmarking data presented to the board at the meeting and described above.

At its June 2015 meeting, the board of directors approved annual restricted stock awards to our non-employee directors, each with a value of $110,000, which awards began vesting on July 11, 2016. In August 2015, the board of directors approved a restricted stock award to Ms. Merigold with a value of

$170,000 in connection with her appointment in July 2015 as a new Class II director, which award began vesting on August 11, 2016. All of the equity awards granted to non-employee directors vest in five equal annual installments, beginning on the first vesting date.

In December 2015, we entered into letter agreements with each of our non-employee directors that provide for the acceleration of vesting and exercisability of all company stock options and restricted stock awards held by the director upon the completion of a change in control (as such term is defined in our severance protection agreements with our named executed officers described on page 58 below). We entered into a similar letter agreement with Tim Conver upon his retirement as an officer of the company on May 2, 2016.

In June 2016, the board of directors, upon recommendation from the Nominating and Corporate Governance Committee and based on peer group data provided by Compensia, approved an additional annual cash retainer of $50,000 for Tim Conver for his service as Chairman of the Board in fiscal 2017.

Fiscal Year 2016 Non-Employee Director Compensation Table

The following table identifies the compensation paid during fiscal year 2016 to each person who served as a non-employee director during fiscal year 2016.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)	Restricted Stock Awards1 ($)	All Other Compensation ($)	Total ($)
Joseph Alibrandi2	15,875		109,977		125,852
Charles Thomas Burbage	59,000		109,977		168,977
Arnold L. Fishman	59,500		109,977		169,477
Charles R. Holland	45,625		109,977	96,0003	251,602
Catharine Merigold4	38,250		169,980		208,230
Edward R. Muller	65,000		109,977		174,977
Stephen F. Page	61,000		109,977		170,977

1. *The value of the equity awards equals their grant date fair value as computed in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 718 with respect to options and restricted stock awarded to directors during fiscal year 2016. For additional information regarding the valuation assumptions used in the calculation of these amounts, refer to Note 11 to the financial statements included in our annual report on Form 10-K for our 2016 fiscal year, as filed with the SEC.*

2. *Mr. Alibrandi retired from the board of directors on July 31, 2015.*

3.

Consists of consulting fees received by Mr. Holland. See "Independence Determinations" above for a full description of Mr. Holland's consulting relationship.

4.

Ms. Merigold was appointed as a director and member of the audit committee effective July 31, 2015.

The non-employee members of our board who held such positions on April 30, 2016 held the following aggregate number of unexercised options as of such date:

Name	**Number of Securities Underlying Unexercised Options**
Charles Thomas Burbage	25,000
Arnold L. Fishman	23,500
Charles R. Holland	21,100
Catharine Merigold	
Edward R. Muller	25,000
Stephen F. Page	20,000

The non-employee members of our board who held such positions on April 30, 2016 held the following aggregate number of shares of unvested restricted stock as of such date:

Name	Number of Securities Underlying Unvested Restricted Stock
Charles Thomas Burbage	11,251
Arnold L. Fishman	7,351
Charles R. Holland	7,351
Catharine Merigold	7,261
Edward R. Muller	11,251
Stephen F. Page	11,251

The following table provides a breakdown of fees earned or paid in cash during fiscal year 2016.

Name	Annual Retainers ($)	Lead Independent Director and Committee Chair Retainer Fees ($)	Committee Member Retainer Fees ($)	Total Fees ($)
Joseph Alibrandi	11,250	4,000	625	15,875
Charles Thomas Burbage	45,000	7,500	6,500	59,000
Arnold L. Fishman	45,000	14,500		59,500
Charles R. Holland	45,000		625	45,625
Catharine Merigold	33,750		4,500	38,250
Edward R. Muller	45,000	16,000	4,000	65,000
Stephen F. Page	45,000	10,000	6,000	61,000

Compensation Policies Applicable to Non-Employee Directors

Stock Ownership Guidelines for Non-Employee Directors

In August 2013, our board of directors adopted stock ownership guidelines for our non-employee directors. Under the guidelines, each non-employee director is expected to, within five years of the later of August 6, 2013 or the date on which such person is appointed to the board, own shares of the company's common stock with a market value of no less than three times his or her current annual cash retainer for serving as a member of the board of directors, exclusive of chairperson, committee or meeting fees. Any shares of our common stock held by a member of our board of

directors in margin accounts or pledged as collateral for a loan will not be considered for purposes of satisfying the ownership guidelines described above. The company determines progress towards meeting the applicable ownership thresholds and ongoing compliance with the guidelines on the last day of each fiscal year. The table below shows each non-employee director's equity ownership in the company as a multiple of his or her cash retainer and the minimum ownership level required pursuant to these guidelines for each of our current non-employee directors, as of April 30, 2016, including Timothy Conver who retired as an officer of the company in May 2016:

Name

	Dollar Value of Equity Ownership as a Multiple of Annual Retainer ($)1	Minimum Ownership Level Required as a Multiple of Annual Retainer
Charles Thomas Burbage2	2.4x	3x
Timothy E. Conver	1468.5x	3x
Arnold Fishman	183.2x	3x
Charles R. Holland	15.5x	3x
Catharine Merigold3		3x
Edward R. Muller	3.2x	3x
Stephen F. Page4	2.4x	3x

1.

For each non-employee director, calculated by dividing (a) the sum of (1) the aggregate number of shares of vested and unrestricted common stock held by such non-employee director, multiplied by the closing price of $28.88 per share of our common stock on April 30, 2016, plus (2) the amount by which the market value of the shares of common stock underlying vested stock options held *by such non-employee exceeds the exercise price of such stock options, if any, by (b) the annual retainer paid to such non-employee director (excluding any annual cash retainer for committee membership or chairmanship or service as lead independent director).*

2.

Mr. Burbage has until October 4, 2018 to satisfy the minimum ownership level required under the stock ownership guidelines for non-employee directors.

3.

Ms. Merigold was appointed to the board of directors on July 31, 2015. She has until July 31, 2020 to satisfy the minimum ownership level required under the stock ownership guidelines for non-employee directors.

4.

Mr. Page was appointed to the board of directors on April 24, 2013. He has until August 6, 2018 to satisfy the minimum ownership level required under the stock ownership guidelines for non-employee directors.

Post-Vesting Stock Retention Guidelines

The company has adopted post-vesting stock retention guidelines, which require non-employee directors to hold 50% of net after-tax shares issued upon the vesting of equity awards until their required stock ownership levels are achieved.

Insider Trading and Anti-Hedging Policies

The company's insider trading policies contain stringent restrictions on transactions in company stock by non-employee directors. All trades by

non-employee directors must be pre-cleared. Furthermore, no member of our board of directors may use any strategies or products (including derivative securities, such as put or call options, or short-selling techniques) to hedge against potential changes in the value of our common stock.

Stock ownership and retention guidelines and anti-hedging policies for our executive officers, including Mr. Nawabi, are described below under "Executive Compensation and Other Information Compensation Discussion and Analysis Stock Ownership Guidelines for Executive Officers."

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RELATED PARTY TRANSACTIONS

Certain Transactions and Relationships

Review and Approval of Related Party Transactions. All transactions and relationships in which the company and our directors, director nominees and executive officers or their immediate family members are participants are reviewed by our Audit Committee or another independent body of the board of directors, such as the independent and disinterested members of the board. As set forth in the Audit Committee charter, the members of the Audit Committee, all of whom are independent directors, review and approve related party transactions for which such approval is required under applicable law, including SEC and Nasdaq rules. In the course of its review and approval or ratification of a disclosable related party transaction, the Audit Committee or the independent and disinterested members of the board may consider:

the nature of the related person's interest in the transaction;

the material terms of the transaction, including, without limitation, the amount and type of transaction;

the importance of the transaction to the related person;

the importance of the transaction to the company;

whether the transaction would impair the judgment of a director or executive officer to act in the best interest of the company; and

any other matters the Audit Committee deems appropriate.

Reportable Related Party Transactions. Other than the employment arrangements described elsewhere in this proxy statement, since May 1, 2015, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or will be a party in which:

the amount involved exceeded or will exceed $120,000; and

a director, director nominee, executive officer, holder of five percent or more of any class of our capital stock or any member of his or her immediate family had or will have a direct or indirect material interest.

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EXECUTIVE OFFICERS

The following table sets forth certain information as of August 12, 2016 about our executive officers.

Name	Age	Position (Current Class of Director)
Wahid Nawabi1	47	President and Chief Executive Officer
Raymond D. Cook	56	Senior Vice President and Chief Financial Officer
Doug Scott	59	Senior Vice President, General Counsel and Corporate Secretary

1. *The background and experience of Mr. Nawabi is detailed on page 18.*

Raymond D. Cook has served as our Senior Vice President and Chief Financial Officer since July 2015. Prior to joining the company, Mr. Cook served as Senior Vice President and Chief Financial Officer of Silicon Image, Inc. from July 2014 to March 2015. Prior to joining Silicon Image, Inc., Mr. Cook served as Chief Financial Officer of STEC, Inc., a computer data storage company, from November 2008 to September 2013. Mr. Cook previously served in various capacities, including as Interim Chief Financial Officer as well as Vice President of Finance and Corporate Controller, with Mindspeed Technologies, Inc., a semiconductor company, from July 2003 through November 2008. Mr. Cook holds a B.S. in Accounting and an M.B.A. in Finance from Loyola Marymount University.

Doug Scott has served as Senior Vice President, General Counsel and Corporate Secretary since July 2013. Prior to joining the company, Mr. Scott held various executive positions at SAIC, Inc., a defense contractor, for 26 years, including General Counsel from 1992 through June 2010 and Corporate Secretary from 2004 until July 2013. Mr. Scott was a corporate attorney at O'Melveny & Myers LLP, a large global law firm, before joining SAIC. Mr. Scott received a B.A. in economics and an M.B.A. from the University of Illinois at Urbana-Champaign, and a J.D. from University of California, Los Angeles. He also is a certified public accountant (inactive).

SHARE OWNERSHIP

Ownership of Equity Securities of the Company

The following table presents information regarding the beneficial ownership of our common stock as of August 8, 2016, by:

our Named Executive Officers;

our current directors and director nominees;

all of our directors and executive officers as a group; and

each stockholder known by us to be the beneficial owner of more than 5% of our common stock.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all

shares beneficially owned, subject to community property laws where applicable. Shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of August 8, 2016 are deemed to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

The information presented in this table is based on 23,392,659 shares of our common stock outstanding on August 8, 2016. Except as set forth in the footnotes below, the address of each beneficial owner listed on the table is c/o AeroVironment, Inc., 800 Royal Oaks Drive, Suite 210, Monrovia, California 91016.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Outstanding
5% Stockholders		
BlackRock, Inc.1	2,346,362	10.0%
The Vanguard Group2	1,481,220	6.3%
Janus Capital Management, LLC3	1,315,739	5.6%
Dimensional Fund Advisors, LP4	1,181,020	5.1%
Named Executive Officers, Directors and Director Nominees:		
Timothy E. Conver5	2,326,692	9.9%
Wahid Nawabi6	113,858	*
Raymond Cook7	19,879	*

Doug Scott8	38,260	*
Cathleen S. Cline9	114,518	*
Teresa Covington10	8,818	*
Charles Thomas Burbage11	24,909	*
Arnold L. Fishman12	332,131	1.4%
Charles R. Holland13	48,384	*
Catharine Merigold	7,261	*
Edward R. Muller14	25,719	*
Stephen F. Page15	31,909	*
Current Directors and Executive Officers as a Group (10 persons)	2,969,002	12.5%

*

Less than 1%.

1.

Based on a Schedule 13G/A filed by BlackRock, Inc. on August 9, 2016 with the SEC reporting beneficial ownership as of July 31, 2016. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

2.

Based on a Schedule 13G/A filed by The Vanguard Group on February 10, 2016 with the SEC reporting beneficial ownership as of December 31, 2015. The address of The Vanguard Group is 100 Vanguard Boulevard, Malvern, PA 19355.

3.

Based on a Schedule 13G filed by Janus Capital Management , LLC on February 16, 2016 with the SEC reporting beneficial ownership as of December 31, 2015. The address of Janus Capital Management, LLC is 151 Detroit Street, Denver, CO 80206.

4.

Based on a Schedule 13G filed by Dimensional Fund Advisors, LP on February 9, 2016 with the SEC reporting beneficial ownership as of December 31, 2015. The address of Dimensional Fund Advisors, LP is Building One, 6300 Bee Cave Road, Austin, TX 78746.

5.

Includes 2,132,035 shares held by the Conver Family Trust, of which Mr. Conver is one of the trustees, and 142,854 shares of our common stock reserved for issuance upon exercise of stock options which currently are exercisable or will become exercisable within 60 days of August 8, 2016. Mr. Conver disclaims beneficial ownership of any securities in which he does not have a pecuniary interest.

6.

Includes 74,464 shares of our common stock reserved for issuance upon exercise of stock options which currently are exercisable or will become exercisable with 60 days of August 8, 2016.

7.

Includes 6,000 shares of our common stock reserved for issuance upon exercise of stock options which currently are exercisable or will become exercisable within 60 days of August 8, 2016.

8.

Includes 20,246 shares of our common stock reserved for issuance upon exercise of stock options which currently are exercisable or will become exercisable within 60 days of August 8, 2016.

9.

Includes 96,200 shares of our common stock reserved for issuance upon exercise of stock options which currently are exercisable or will become exercisable within 60 days of August 8, 2016. Ms. Cline retired as our Senior Vice President of Administration effective April 30, 2016. Shares of the company's common stock owned by Ms. Cline were calculated based on the company's records as of her retirement date.

10.

Ms. Covington served as our Interim Chief Financial Officer from February 2015 until July 5, 2016, at which time she was appointed Vice President, Finance.

11.

Includes 10,000 shares of our common stock reserved for issuance upon exercise of stock options which currently are exercisable or will become exercisable within 60 days of August 8, 2016.

12.

Includes 296,322 shares of our common stock held by the Arnold Fishman Revocable Trust Arnold Fishman Trustee; 20,900 shares of our common stock reserved for issuance upon exercise of stock options which currently are exercisable or will become exercisable within 60 days of August 8, 2016, and 6,500 shares held by Mr. Fishman's wife, Judy Fishman.

13.

Includes 16,500 shares of our common stock reserved for issuance upon exercise of stock options which currently are exercisable or will become exercisable within 60 days of August 8, 2016.

14.

Includes 2,158 shares held by the Edward R. Muller and Patricia E. Bauer 1991 Family Trust, of which Mr. Muller is one of the two trustees of the trust and shares investment authority with the other trustee. Includes 10,000 shares of our common stock reserved for issuance upon exercise of stock options which currently are exercisable or will become exercisable within 60 days of August 8, 2016.

15.

Includes 5,000 shares held by the Stephen F. Page Living Trust, of which Mr. Page is the trustee, and 12,000 shares of our common stock reserved for issuance upon exercise of stock options which currently are exercisable or will become exercisable within 60 days of August 8, 2016.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires that our executive officers and directors, and persons who own more than ten percent of a registered class of our equity securities, file reports of ownership and changes in ownership with the SEC. Executive officers, directors and greater-than-ten percent stockholders are required by SEC regulations to furnish us with all Section 16(a) forms they file. Based solely on our review of the copies of the forms received by us and written representations from certain reporting persons

that they have complied with the relevant filing requirements, we believe that, during the fiscal year ended April 30, 2016, all of our executive officers, directors and greater-than-ten percent stockholders complied with all Section 16(a) filing requirements, except that due to an administrative error on the part of the company, a Form 4 was filed one day late on behalf of Catharine Merigold to report her receipt of a grant of restricted stock awards.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of April 30, 2016 about our common stock that may be issued, whether upon the exercise of options, warrants and rights or otherwise, under our existing equity compensation plans.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights[1]	(b) Weighted-average exercise price of outstanding options, warrants and rights[1]	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))
Equity compensation plans approved by security holders	683,799[1]	$24.46	2,787,020[2]
Equity compensation plans not approved by security holders			
Total	683,799	$24.46	2,787,020

1. *Consists of awards outstanding under the AeroVironment, Inc. Nonqualified Stock Option Plan, the AeroVironment, Inc. 2002 Equity Incentive Plan, and the AeroVironment, Inc. Amended and Restated 2006 Equity Incentive Plan.*

2. *No additional awards may be granted under the AeroVironment, Inc. Nonqualified Stock Option Plan or the AeroVironment, Inc. 2002 Equity Incentive Plan.*

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Compensation Committee Report

The Compensation Committee of our board of directors is primarily responsible for determining the annual salaries and other compensation of our executive officers and administering our equity compensation plans. The Compensation Committee has reviewed and discussed with management the following Compensation Discussion and Analysis of the 2016 proxy statement. Based on such review and discussions, the Compensation Committee recommended to the board that the Compensation Discussion and Analysis be included in our annual report filed on Form 10-K and this proxy statement.

Compensation Committee
Arnold L. Fishman
Charles Thomas Burbage
Edward R. Muller

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides information about the material components of our executive compensation program for:

Timothy E. Conver, our Chairman of our board of directors and former President and Chief Executive Officer (Mr. Conver retired as an officer of the company in May 2016, but remains Chairman of our board of directors);

Teresa Covington, our Vice President, Finance and former Interim Chief Financial Officer;

Raymond Cook, our Senior Vice President and Chief Financial Officer;

Wahid Nawabi, our President and Chief Executive Officer (Mr. Nawabi served as our President and Chief Operating Officer from January 2016 to May 2016 and as our Senior Vice President and Chief Operating Officer from April 2015 to January 2016);

Doug Scott, our Senior Vice President and General Counsel; and

Cathleen S. Cline, our former Senior Vice President of Administration (Ms. Cline retired from the company effective April 30, 2016).

We refer to these executive officers collectively in this Compensation Discussion and Analysis as the "Named Executive Officers."

Specifically, this Compensation Discussion and Analysis provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program, and each compensation component that we provide. In addition, we explain how and why the Compensation Committee arrived at specific compensation policies and decisions involving our Named Executive Officers during fiscal year 2016.

Executive Summary

Our executive compensation program is designed to support our business goals and objectives by providing a link between the total compensation opportunities for our executive officers, including the Named Executive Officers, and the creation of long-term stockholder value. In line with this philosophy, compensation awarded to our Named Executive Officers for fiscal year 2016 reflected our financial and strategic results and overall compensation philosophy. We have adopted several policies to bolster our other existing compensation practices, including a compensation recovery policy, executive and non-employee director stock ownership and stock retention guidelines and anti-hedging policies.

Financial Measure	**Fiscal Year 2016 ($)**	**Fiscal Year 2015 ($)**	**Increase (decrease) (%)**
Revenue	264.1 million	259.4 million	1.8%
Gross Margin	112.1 million	104.3 million	7.5%

Operational Imperatives: Our key fiscal year 2016 operational imperatives focused on compliance, maintenance of market share and increased adoption of innovative solutions, strategic growth, execution and increased employee engagement and improvement of business processes.

Fiscal Year 2016 Compensation Determinations. During fiscal year 2016, the Compensation Committee made the following compensation decisions:

Base Salary Increases: For fiscal year 2016, our Named Executive Officers received base salary increases commensurate with our peer group and outside salary survey data.

Continued Emphasis on Performance-Based Compensation: In fiscal year 2016, the Compensation Committee continued its practice of awarding the majority of total target compensation to the Named Executive Officers in the form of performance-based compensation tied to the achievement of performance goals and includes elements such as annual incentive bonuses, long-term incentive compensation and equity awards. This emphasis on performance-based compensation is intended to align executive compensation with stockholder interests.

Below Target Annual Bonuses for Fiscal Year 2016 Tied to Performance Relative to Corporate Financial Goals: We maintain an annual cash bonus plan tied to achievement of corporate financial and strategic objectives. Based on our performance for fiscal year 2016, the Compensation Committee's assessment of our strategic achievements and award of a discretionary bonus, each of our Named Executive Officers received an annual performance bonus equal to 90.0% of his or her targeted bonus amount.

Continuation of Long-Term Incentive Compensation Program: During fiscal year 2016, the Compensation Committee approved a long-term incentive award intended to reward the achievement of specified financial objectives over a three-year performance cycle comprising fiscal years 2016, 2017 and 2018. If payouts are

earned, they will be paid 50% in cash and 50% in restricted stock units. The restricted stock units will be subject to an additional two-year vesting period.

No Payouts under Long-Term Incentive Compensation Awards for Fiscal Year 2014-Fiscal Year 2016 Performance Period: Since the long-term incentive program was implemented in July 2010, only the award for the two-year performance period comprising fiscal years 2011 and 2012 has resulted in a payout to our executive officers. The awards granted for the three year performance period comprising fiscal years 2014, 2015 and 2016 were forfeited without any payout due to our failure to meet the revenue and operating profits objectives set by our Compensation Committee for purposes of such awards.

Equity Awards with Five Year Vesting Schedules: Our Named Executive Officers received option awards and restricted stock awards both of which vest over a five year period based on continued service, commensurate with our peer group and outside salary survey data, for fiscal year 2016.

Key Compensation Governance: Our board of directors has adopted the following policies:

Clawback Policy: We maintain a policy for recovering or "clawing back" incentive compensation of executive officers.

Executive Stock Ownership Guidelines and Post-Vesting Stock Retention Guidelines: We maintain stock ownership and stock retention guidelines for our officers and directors.

Other Compensation Practices:

Severance and Change in Control Agreements: In December 2015, we entered into severance protection agreements with our Named Executive Officers (Timothy E. Conver, Wahid Nawabi, Raymond Cook, Cathleen Cline, Doug Scott and Teresa Covington), which provide for the payment of certain benefits to the officer in connection with a change in control and/or the termination of the officer's employment. The agreements with Mr. Conver and Ms. Cline terminated upon their termination of employment with us. Mr. Nawabi entered into an amended and restated agreement in May 2016 upon the effectiveness of his appointment as our Chief Executive Officer.

The Compensation Committee approved the severance protection agreements to incentivize our named executive officers to continue their employment with us if there is a change of control, or a threatened change in control transaction, and to maintain a competitive total compensation program after discussing with Compensia the terms of similar arrangements in place for executives at companies in our peer group. The severance protection agreements have a double trigger mechanism pursuant to which benefits are paid if the officer is terminated by the company without cause or the officer terminates his or her employment for good reason within 18 months following a change in control event. The agreements also provide for the provision of certain severance benefits if an officer's employment is terminated by the company other than for cause during the term of the agreement not in connection with a change of control transaction. The agreement with our Chief Executive Officer also provides for the payment of severance benefits if he terminates his employment with the company for good reason during the term of the agreement not in connection with a change of control transaction. For additional information on our severance protection agreements, see below on page 58 under "Severance Protection Agreements."

No Tax Gross-Ups: We do not provide tax gross-ups with regard to any compensation, benefit or perquisite paid by us to our Named Executive Officers.

Independent Compensation Consultant: With regard to executive compensation matters, the Compensation Committee is advised by an independent compensation consultant.

Response to 2014 Say-on-Pay Vote:

In October 2014, we held a stockholder advisory vote on the compensation of our Named Executive Officers, commonly referred to as a say-on-pay vote. Our stockholders

overwhelmingly approved the compensation of our Named Executive Officers, with over 95% of stockholder votes cast in favor of our 2014 say-on-pay resolution (excluding abstentions and broker non-votes). As we evaluated our compensation practices and talent needs since that time and during fiscal year 2016, we were mindful of the strong support our stockholders expressed for our compensation program. As a result, following our annual review of our executive compensation program, the Compensation Committee decided to generally retain our existing approach to executive compensation for our continuing executives, with an emphasis on short- and long-term incentive compensation that rewards our senior executives when they deliver value for our stockholders.

In addition, when determining how often to hold a stockholder advisory vote on executive compensation, the board of directors took into account the strong preference for a triennial vote expressed by our stockholders at our 2011 annual meeting. Accordingly, the board of directors determined that we will hold an advisory stockholder vote on the compensation of our Named Executive Officers every three years until the next say-on-pay frequency vote. Stockholders will provide an advisory vote on executive compensation at the 2017 annual meeting.

Objectives of our Executive Compensation Program

Our executive compensation program is designed to support our business goals and objectives by providing a link between the total compensation opportunities for our executive officers, including the Named Executive Officers, and the creation of long-term stockholder value. Specifically, our executive compensation program is designed to:

attract, motivate and retain superior talent;

ensure that compensation is commensurate with the company's performance and stockholder returns;

provide performance awards for the achievement of financial and strategic objectives that are critical to our long-term growth; and

ensure that our executive officers have financial incentives to achieve substantial growth in stockholder value.

Our compensation program is designed to achieve these objectives through a combination of the following types of compensation: base salary, annual cash incentive bonus awards, long-term incentive compensation payable in cash and restricted stock units for multi-year performance periods, equity awards and other employee benefits. Each of these compensation components serve our interests in different ways and together represent a balance among all elements of compensation and the various time periods for such elements. A majority of the compensation provided to the Named Executive Officers is based on our performance and, to a more limited degree, the performance of our stock price. This design approach helps align the interests of our executive officers with those of stockholders in achieving long-term increases in the value of our common stock. We have selected these compensation components to create a flexible pay package that reflects the long-term nature of our business and can reward both the short-term and long-term performance of the company and each individual Named Executive Officer. Each element of our executive compensation program is discussed in greater detail below.

Compensation-Setting Process

The Compensation Committee is responsible for overseeing our executive compensation program, as well as determining and approving the ongoing compensation arrangements for our executive officers, including the Named Executive Officers.

Generally, annual base salary adjustments for our executive officers are determined within the first quarter of each fiscal year. Annual cash bonus payouts are made within 75 days of our fiscal year end to synchronize award determinations with the conclusion of our fiscal year and the review of fiscal year financial results. Historically, long-term incentive awards have been made at the discretion of the Compensation Committee. Compensation adjustments in connection with changes in duties and/or other material changes in the primary assumptions forming the basis of a compensation decision will continue to be made as required by circumstances throughout the fiscal year.

Role of Our Chief Executive Officer

Typically, our Chief Executive Officer makes recommendations to the Compensation Committee regarding the compensation of our executive officers (except with respect to his own compensation),

including base salary levels, target annual cash bonus opportunities, bonus payouts under the prior fiscal year's annual bonus plan, and long-term incentive compensation levels, with the assistance of our chief human resources officer and Chief Financial Officer. Our Chief Executive Officer also provides recommendations for the corporate financial and strategic objectives used in our annual cash bonus plan and long-term incentive compensation program. He supports his recommendations with competitive market data developed by our human resources department, information provided by the Compensation Committee's independent compensation consultant, and by reviewing the historical performance of each executive officer with the Compensation Committee. Although the Compensation Committee carefully considers the recommendations of our Chief Executive Officer when determining the compensation of our executive officers, it bases its decisions on the collective judgment of its members after considering the input of its independent compensation consultant and any relevant supporting data.

While our Chief Executive Officer generally attends meetings of the Compensation Committee, the committee meets outside the presence of our Chief Executive Officer when discussing his compensation. Decisions with respect to our Chief Executive Officer's compensation are made by the Compensation Committee, subject to the approval of our board of directors (unless such decisions require approval by our Compensation Committee to the extent such compensation is intended to be qualified performance-based compensation for purposes of Section 162(m) of the Code or exempt under Section 16(b) of the Exchange Act).

The Compensation Committee may delegate and grant authority to our Chief Executive Officer and/or a committee of executive officers to grant option awards under the company's equity incentive plan to the employees holding positions below the level of Vice President.

Role of Compensation Consultant

The Compensation Committee is authorized to retain the services of one or more executive compensation advisors, as it sees fit, in connection with the oversight of our executive compensation program. In fiscal year 2016, the Compensation Committee engaged Compensia, Inc., a national compensation consulting firm, to provide executive compensation advisory services, including an executive officer compensation assessment and a board of directors' compensation review. Compensia has provided executive compensation advisory services to the Compensation Committee since 2006 and did not provide any non-compensation-related services to us during fiscal year 2015 or 2016.

The Compensation Committee has considered the independence of Compensia consistent with the requirements of Nasdaq. Further, as required under Item 407(e)(3) of Regulation S-K, the Compensation Committee conducted a conflicts of interest assessment and determined that there is no conflict of interest resulting from retaining Compensia. The Compensation Committee intends to reassess the independence of its compensation advisors at least annually.

Competitive Market Data

Each year, the Compensation Committee reviews the executive compensation practices of a group of companies in the technology sector determined to be comparable to us based on their size and public company status. The fiscal year 2016 peer group consisted of the companies listed below. The peer companies had a median twelve month trailing revenue of $661 million versus our trailing twelve month revenue of $246 million and a median market capitalization of $953 million versus our market capitalization of $615 million, as calculated by Compensia, Inc., the Compensation Committee's independent compensation consultant, in May 2015.

Aerojet Rocketdyne Holdings, Inc.
American Science and Engineering, Inc.
Astronics Corporation
Cubic Corporation
DigitalGlobe, Inc.
Ducommun Incorporated
II-VI Incorporated
iRobot Corporation
The KEYW Holding Corporation
KVH Industries, Inc.
LMI Aerospace, Inc.
Maxwell Technologies, Inc.
Mercury Systems, Inc.
OSI Systems, Inc.
ViaSat, Inc.

Each year, Compensia surveys the compensation practices of the peer group to assess the competitiveness of our compensation programs. Although we maintain the peer group for executive

compensation and performance reference purposes, the peer group compensation data is limited to publicly available information and therefore does not necessarily provide comparisons for all officers. By contrast, survey data has the advantage of including data on executive positions beyond what is available in public filings, but may not be specific to the selected companies in the peer group. In light of this, in setting fiscal year 2016 compensation, the Compensation Committee also reviewed data from the Radford Executive Compensation Survey, which consists of information on U.S. companies primarily in the technology industry with revenues between $200 million and $500 million. With respect to the survey data presented to the Compensation Committee, the identities of the individual companies included in the survey were not provided to the Compensation Committee, and the Compensation Committee did not refer to individual compensation information for such companies.

We believe that by utilizing both publicly available peer group data and the survey data, we are able to develop an appropriate set of competitive data for use in making compensation decisions. The Compensation Committee uses the information derived from this review in two ways: to assist it in determining the appropriate level and reasonableness of total compensation, as well as each separate component of compensation, for our executive officers and to ensure that the compensation we offer to them is competitive and fair.

The Compensation Committee has adopted a general approach of compensating our executive officers with base salaries commensurate with the experience and expertise of the individual executive and competitive with the median base salaries of executives holding comparable positions based on the competitive market data provided by Compensia based on our peer group and the survey data. The Compensation Committee will take into account significant changes from year-to-year in the base salaries of comparable executives in our peer group and survey data in setting base salaries for our executive officers and may approve increases in base salaries of the relevant executive officers to move them closer to the median of our peer group and survey data for their positions, although such approved base salaries may remain below the median.

To reward our executive officers for their contributions to the achievement of annual corporate financial and strategic performance objectives, the Compensation

Committee sets annual cash bonus opportunities at a level designed to ensure that, when actual bonus payouts are added to the executive officer's base salary, assuming achievement at targeted levels, total annual cash compensation will be competitive with the market and when above target performance occurs, total cash compensation will be above median total cash compensation level of executives holding comparable positions based on the competitive market data provided by Compensia based on our peer group and the survey data. The Compensation Committee has adopted this approach in recognition of the aggressive nature of the company's annual operating plan.

However, the Compensation Committee does not establish compensation levels based directly on benchmarking. The Compensation Committee instead relies on the judgment of its members in making compensation decisions regarding base salaries, target bonus levels and long-term equity incentive awards. In addition to competitive market data, in making its compensation decisions, the Compensation Committee also considers an executive officer's position, tenure with the company, individual and organizational performance, our retention needs, and internal pay equity. As a result, the total compensation (or any particular component of compensation) received by an executive officer may differ materially from the amounts paid to individuals holding comparable executive positions based on the competitive market data provided by Compensia based on our peer group and the survey data. The Compensation Committee does not guarantee that any executive will receive a specific market-derived compensation level.

Executive Compensation Program Components

The following describes each component of our executive compensation program, the rationale for each, and how compensation amounts are determined.

Base Salary

We use base salaries to provide our executive officers, including the Named Executive Officers, with a fixed amount of compensation for their regular work. The Compensation Committee generally reviews the base salaries of our executive officers at the beginning of each fiscal year, as well as in connection with a promotion or other change in responsibilities. Base

salary adjustments generally go into effect within the first quarter of each fiscal year. Base salary adjustments are based on an evaluation of an executive officer's position, tenure with our company, experience with other companies, individual and organizational performance, our retention needs, and internal pay equity. In addition, to ensure that the base salaries of our executive officers are competitive and appropriate, the Compensation Committee reviews the salaries of executives holding comparable positions based on the competitive market data provided by Compensia based on our peer group and the survey data.

In light of the considerations discussed above, for fiscal year 2016, the board of directors increased the base salaries of our Named Executive Officers as follows:

Named Executive Officer	2016 Salary ($)	Increase Over 2015 (%)
Tim Conver	550,014	4.6
Raymond Cook	325,000	n/a
Teresa Covington	250,016	2.9
Wahid Nawabi	335,000	11.7
Doug Scott	290,000	5.5
Cathleen S. Cline	258,024	3.2

Mr. Nawabi received an 11.7% increase in his base salary due to his increased duties in connection with his appointment as our Chief Operating Officer in April 2015.

We believe that the base salaries paid to our Named Executive Officers during fiscal year 2016 helped to achieve our executive compensation objectives and are competitive with the salaries of the executives holding comparable positions based on the competitive market data provided by Compensia based on our peer group and the survey data.

Annual Cash Bonuses

We believe that a significant portion of overall target compensation of our executive officers, including the Named Executive Officers, should be "at risk" (that is, contingent upon the successful implementation of our annual operating plan). Annual cash bonuses represent a portion of this "at risk" compensation. We use these annual cash bonus opportunities to motivate our executive officers to achieve our short-term financial and operational imperatives while making progress towards our longer-term growth and other goals.

Typically, at the end of the fiscal year the Compensation Committee determines whether to pay cash bonuses to our executive officers, including the Named Executive Officers, based on its assessment of our financial and operational results. While the decision to make bonus payouts and any amounts payable are made in the sole discretion of the Compensation Committee, in making its determinations the Compensation Committee considers input from our Chief Executive Officer (for executive officers other than himself), as well as such other factors as the Compensation Committee deems appropriate.

Setting Target Bonus Levels

Initially, the Compensation Committee establishes a "target bonus level" for each executive officer, which is expressed as a percentage of his or her base salary. In setting these target bonus levels, the Compensation Committee considers the cash compensation of executives holding comparable positions based on the competitive market data provided by Compensia based on our peer group and the survey data. Generally, the Compensation Committee sets the target bonus levels so that, assuming achievement of the corporate financial and operational imperative objectives at targeted levels, total annual cash compensation will be competitive with the market and when above target performance occurs, total cash compensation will be above the median of total cash compensation level of executives holding comparable positions based on the competitive market data provided by Compensia based on our peer group and the survey data. The Compensation Committee believes that this approach is consistent with the high level of growth generally reflected in the corporate performance objectives applicable to the annual bonus determinations.

The Compensation Committee increased target bonus levels for each of our Named Executive Officers for fiscal year 2016 performance. None of our Named Executive Officers had received an increase in his or her target bonus level for fiscal 2015 from fiscal 2014 levels, except Mr. Nawabi, who received a 14.5% increase in his fiscal 2015 target bonus over his 2014 target bonus level due to an increase in his job duties to oversee engineering and manufacturing for UAS operations in addition to EES operations. For fiscal 2016, Mr. Nawabi received a 41% increase in his target bonus level from fiscal 2015 due to an increase in responsibilities in connection with his appointment as our Chief Operating Officer in April 2015. Such increases to Mr. Nawabi's target bonus levels are

consistent with our pay positioning philosophy described above.

Establishing Performance Measures and Goals

At the beginning of each fiscal year, the Compensation Committee identifies one or more corporate financial performance measures and establishes a specific performance target level for each such measure for purposes of calculating the bonus for each executive officer. Threshold, target and maximum levels of performance are established for each corporate financial performance measure. In the event that the threshold performance level for any corporate financial performance measure is not met, then no credit will be given with respect to the portion of the annual bonus attributable to that corporate financial performance measure. In addition to establishing corporate financial performance measures, the Compensation Committee establishes one or more operational imperatives for purposes of calculating the bonus payable to each executive officer, as described in more detail below.

Reviewing Performance Results

At the end of the fiscal year, the Compensation Committee reviews our actual performance against the target levels set for each of the corporate financial performance measures established at the beginning of the year. Achievement for purposes of the operational imperative component of each named executive's bonus award is not necessarily tied to formulaic or pre-established performance measures, but is instead determined based on the Compensation Committee's subjective assessment of the company's achievement of key operational imperative initiatives and overall performance during the fiscal year, specifically in the areas of compliance, market share, strategic growth, execution and employee engagement and business processes. The operational imperative component of the annual bonus program also takes into account the Compensation Committee's assessment of performance in the event of any unforeseen extraordinary event or transaction that occurred during the fiscal year. In making its determination of achievement for the operational imperative component of the annual bonuses, our Compensation Committee does not follow any guidelines, nor are there such standing guidelines regarding the exercise of such discretion.

In no event may an executive officer's annual cash bonus payout exceed his or her maximum permissible bonus as established by the Compensation Committee.

Fiscal Year 2016 Bonuses. The Compensation Committee designed our fiscal year 2016 annual cash bonus opportunities to focus our executive officers,

including the Named Executive Officers, on achieving key company financial objectives and to reward substantial achievement of these objectives and overall corporate performance and achievement of key operational imperatives.

For fiscal year 2016, the Compensation Committee established the target bonus levels for the Named Executive Officers at the levels indicated in the table below:

Named Executive Officer		**Target Bonus Level**	**Percentage of Base Salary**	**Percentage Increase from 2015**
Timothy E. Conver	$	450,000	81.8%	16.1%
Raymond Cook1	$	190,000	58.5%	n/a
Teresa Covington	$	95,000	38.0%	35.7%
Wahid Nawabi	$	265,000	79.1%	41.0%
Doug Scott	$	145,000	50.0%	10.7%
Cathleen S. Cline	$	130,000	50.4%	9.7%

1.
Mr. Cook was appointed as our Senior Vice President and Chief Financial Officer in July 2015.

Under the fiscal year 2016 bonus program, our Named Executive Officers were eligible to receive annual bonuses of up to 200% of their target bonus levels.

For fiscal year 2016, the Compensation Committee selected revenue and gross margin as the corporate financial performance measures, as well as the achievement of certain operational imperatives, for the corporate performance measures for the Named Executive Officer annual bonuses. The targeted corporate financial goals for our Chief Executive Officer and other Named Executive Officers were above the range of public guidance provided by the company for revenue growth and gross margin at the beginning of fiscal year 2016. These financial goals are described in detail below.

As described above, the operational imperative component of the fiscal year 2016 bonuses was not

tied to formulaic or pre-established performance measures.

The Compensation Committee selected the goals based on the recommendation of our Chief Executive Officer and after reviewing the company's annual operating plan for fiscal year 2016, as well as its long-term strategic plan. The Compensation Committee weighted each of the three goals revenue, gross margin and operational imperatives equally at 33.3% of the total potential bonus payout.

The Compensation Committee then implemented a sliding scale for the corporate financial performance goals that calculated a downward adjustment to 50% of the target bonus amount and an upward adjustment of up to 200% based upon achievement relative to the corporate financial performance goals as set forth in the table below.

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Scaled Adjustment of Target Bonus Amounts Based on Total Performance:

Revenue		Threshold	Target	Maximum
Percentage of Achievement:	<85%	85%	100%	150%
Percentage of Target Bonus Amount Paid:	0	50%	100%	200%

Gross Margin	Threshold	Target	Maximum