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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

Filed by a Party other than the Registrant

Check the appropriate box:

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

**AEROVIRONMENT, INC.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
  - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
    - (1) Title of each class of securities to which transaction applies:  
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    - (2) Aggregate number of securities to which transaction applies:  
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    - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):  
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  - Fee paid previously with preliminary materials.
  - 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:  
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    - (2) Form, Schedule or Registration Statement No.:  
\_\_\_\_\_
    - (3) Filing Party:  
\_\_\_\_\_
    - (4) Date Filed:  
\_\_\_\_\_
-



Dear Stockholders,

You are cordially invited to attend the annual meeting of stockholders of AeroVironment, Inc. on September 29, 2010 at 10:00 a.m., in The Monterey Room of the Courtyard by Marriott at 700 W. Huntington Drive, Monrovia, California 91016, for the following purposes:

- (1) To elect three Class I directors to serve for three-year terms;
- (2) To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending April 30, 2011; and
- (3) To transact such other business as may properly come before the annual meeting or any adjournments or postponements thereof.

Only stockholders of record at the close of business on August 6, 2010 are entitled to notice of and to vote at the annual meeting and any adjournment or postponement thereof.

Your vote is important. Whether or not you plan to attend the annual meeting in person, I urge you to complete the proxy card and return it promptly.

Thank you for your support.

Very truly yours,

A handwritten signature in black ink, appearing to read "Timothy E. Conver". The signature is stylized with a large, looped "T" and "C".

Timothy E. Conver  
Chairman, President and Chief Executive Officer

Monrovia, California  
August 20, 2010

**YOUR VOTE IS IMPORTANT**

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**AEROVIRONMENT, INC.**  
**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

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**TIME** 10:00 a.m. Pacific Time on September 29, 2010.

**PLACE** Courtyard by Marriott  
The Monterey Room  
700 W. Huntington Drive  
Monrovia, California 91016

**ITEMS OF BUSINESS**

- (1) To elect three Class I directors to serve for three-year terms;
- (2) To ratify the selection of the accounting firm of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending April 30, 2011; and
- (3) To 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 6, 2010.

**MEETING ADMISSION**

*Registered Stockholders.* Registered stockholders (or their legal representatives) attending the meeting should bring an acceptable form of identification to the meeting, such as a driver's license. Legal representatives should also bring copies of any proxy or power of attorney evidencing the legal representative's right to represent the stockholder at the meeting.

*Beneficial Stockholders.* Stockholders whose stock is held by a broker or bank (often referred to as "holding in street name") 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 6, 2010. 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 by mail are on your proxy card. If you attend the annual meeting, you may also submit your vote in person, and any previous votes that you submitted will be superseded by the vote that you cast at the annual meeting.

*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.

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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 2010 annual meeting of stockholders. We will begin distributing this proxy statement, a form of proxy and our 2010 annual report on or about August 20, 2010.

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read 'Timothy E. Conver', with a stylized vertical stroke extending upwards from the center.

Timothy E. Conver,  
Chairman, President and Chief Executive Officer

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON  
SEPTEMBER 29, 2010**

This notice, the accompanying proxy statement, and our 2010 annual report to stockholders, which includes our Annual Report on Form 10-K for the fiscal year ended April 30, 2010, are available on our website at [www.avinc.com](http://www.avinc.com).

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**PROXY STATEMENT**

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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 2010 annual meeting of stockholders to be held on September 29, 2010, and any adjournment or postponement thereof, for the purposes set forth in the attached notice of annual meeting of stockholders. Our principal executive offices are located at 181 W. Huntington Dr., Suite 202, Monrovia, California 91016. Enclosed with this proxy statement is a copy of our 2010 annual report, which includes our Form 10-K (without exhibits), for the fiscal year ended April 30, 2010. However, the 2010 annual report is not intended to be a part of this proxy statement or a solicitation of proxies. This proxy statement and the accompanying proxy card are first being distributed to stockholders on or about August 20, 2010.

***Important Notice Regarding the Availability of Proxy Materials***

This proxy statement and our annual report are available electronically at <http://investor.avinc.com>.

**Voting Rights and Outstanding Shares**

Our board of directors has fixed the close of business on August 6, 2010 as the record date for the annual meeting. Only stockholders of record on the record date are entitled to notice of and to vote at the annual meeting or any adjournments or postponements thereof, in person or by proxy. On the record date, there were 21,782,913 shares of our common stock 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.

**Quorum and Voting Requirements**

In order to conduct any business at the annual meeting, a quorum must be present in person or represented by valid proxy. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock entitled to vote at the annual meeting is necessary to constitute a quorum at the annual meeting. In the election of directors, the nominees who receive the highest number of affirmative votes will be elected as directors. All other proposals require the affirmative vote of a majority of the votes cast at the annual meeting.

Abstentions and broker non-votes will be counted for the purpose of determining whether a quorum is present, but they will not be counted as votes cast on any matter. Generally, broker non-votes occur when shares held by a broker in "street name" for a beneficial owner are not voted with respect to a particular proposal because the broker has not received voting instructions from the beneficial owner. Because abstentions and broker non-votes will not be considered votes cast, they will have no effect on the outcome of any proposal.

Our board of directors is not aware of any business that may properly be brought before the annual meeting other than those matters described in this proxy statement. However, the enclosed proxy card gives discretionary authority to persons named on the proxy card to vote the shares in their best judgment if any matters other than those shown on the proxy card are properly brought before the annual meeting.

**Proxies**

You are requested to complete, sign and date the enclosed proxy card and return it in the enclosed envelope. The envelope requires no postage if mailed in the United States. Unless there are different instructions on the proxy, all shares represented by valid proxies (and not revoked before they are

voted) will be voted at the meeting **FOR** the election of the director nominees listed in Proposal No. 1 for a three-year term and **FOR** the ratification of the selection of the accounting firm of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending April 30, 2011. With respect to any other business which may properly come before the annual meeting or any adjournment or postponement thereof and submitted to a vote of stockholders, proxies will be voted in accordance with the best judgment of the designated proxy holders.

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.

#### **Revocability of Proxy**

Any stockholder giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. Proxies may be revoked by filing with our Corporate Secretary at our principal executive offices, 181 W. Huntington Dr., Suite 202, Monrovia, California 91016, a written notice of revocation or a duly executed proxy bearing a later date. A stockholder of record at the close of business on the record date may vote in person if present at the annual meeting, whether or not he or she has previously given a proxy. Attendance at the annual meeting will not, by itself, revoke a proxy.

#### **Solicitation of Proxies**

We will bear the expense of soliciting proxies. Our directors, officers and other employees may solicit proxies in person, by telephone, by mail or by other means of communication, but such persons will not be specially compensated for such services. We may also reimburse brokers, banks, custodians, nominees and other fiduciaries for their reasonable charges and expenses in connection with the distribution of proxy materials.

#### **Voting Results**

We will announce preliminary voting results at the annual meeting. Final official results will be provided in a current report on Form 8-K filed with the Securities and Exchange Commission within four business days of the meeting (which will be available at [www.sec.gov](http://www.sec.gov) and [www.avinc.com](http://www.avinc.com)).

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**PROPOSAL NO. 1**  
**ELECTION OF NOMINEES TO THE BOARD OF DIRECTORS**

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Our board of directors consists of seven 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 the following nominees as director, which nominees currently serve as Class I directors and were previously appointed by our board of directors:

**Kenneth R. Baker**  
**Murray Gell-Mann**  
**Charles R. Holland**

Each nominee has indicated his willingness to serve if elected. If one or more of these nominees become unavailable to accept nomination or election as a director, 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 one Class II director, whose term expires at the annual meeting of stockholders in 2011, and two Class III directors, whose terms expire at the annual meeting of stockholders in 2012.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees named above. If the nominees are unable or unwilling to serve as directors at the time of the annual meeting, the proxies will be voted for such other nominees as shall be designated by the then current board of directors to fill any vacancy. In no event may the proxy holders vote for the election of more than two nominees. We have no reason to believe that nominee will be unable or unwilling to serve if elected as directors.

The principal occupation and certain other information about the nominees 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 NOMINEES LISTED ABOVE.**

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**PROPOSAL NO. 2**  
**RATIFICATION OF SELECTION OF ERNST & YOUNG LLP AS OUR INDEPENDENT**  
**REGISTERED PUBLIC ACCOUNTING FIRM**

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The Audit Committee of our board of directors has selected Ernst & Young LLP to serve as our independent registered public accounting firm for the fiscal year ending April 30, 2011. Ernst & Young LLP served as our independent registered public accounting firm in fiscal year 2010. The services provided to us by Ernst & Young LLP for the last two fiscal years are described under the caption "Audit-Related Matters - *Fees Paid to Independent Auditors*" below. Stockholder approval of the selection of Ernst & Young LLP as our independent registered public accounting firm is not required. Our board believes that obtaining stockholder ratification of the selection of Ernst & Young LLP is a sound governance practice. If the stockholders do not vote on an advisory basis in favor of Ernst & Young LLP, the Audit Committee will reconsider whether to hire the firm and may retain Ernst & Young LLP or hire another firm without resubmitting the matter for stockholders to approve. The Audit Committee retains the discretion at any time to appoint a different independent registered public accounting firm.

Representatives of Ernst & Young LLP are expected to be available at the annual meeting to respond to appropriate questions and to make a statement if they desire.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE**  
**FOR THE RATIFICATION OF SELECTION OF ERNST & YOUNG LLP**  
**AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**



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**EXECUTIVE OFFICERS AND DIRECTORS**

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The following table sets forth certain information as of July 31, 2010 about our executive officers and continuing directors, including the persons nominated for election at the annual meeting.

Name	Age	Position (Current Class of Director)	Year Current Term as Director Expires
<b>Nominees for Class I Director:</b>			
Kenneth R. Baker <sup>(1)(3)</sup>	63	Director (Class I)	2010
Murray Gell-Mann <sup>(3)(4)</sup>	80	Director (Class I)	2010
Charles R. Holland	64	Director (Class I)	2010
<b>Continuing Directors:</b>			
Joseph F. Alibrandi <sup>(1)(4)</sup>	81	Director (Class II)	2011
Timothy E. Conver <sup>(2)</sup>	66	President, Chief Executive Officer, Chairman and Director (Class III)	2012
Arnold L. Fishman <sup>(1)(2)(3)(4)</sup>	65	Director (Class III)	2012
<b>Other Executive Officers:</b>			
Jikun Kim	46	Senior Vice President and Chief Financial Officer	
Tom Herring	50	Senior Vice President and General Manager, Unmanned Aircraft Systems	
Michael Bissonette	53	Senior Vice President and General Manager, Efficient Energy Systems	
Cathleen S. Cline	51	Senior Vice President of Administration	

- (1) Member of the Audit Committee.  
(2) Member of the Executive Committee.  
(3) Member of the Compensation Committee.  
(4) Member of the Nominating and Corporate Governance Committee.

The principal occupations and positions for at least the past five years of our directors, including the director nominees, are as follows:

**Class I Nominees for Election to the Board of Directors for a Three-Year Term Expiring in 2013**

*Kenneth R. Baker* has served as a member of our board of directors since 1994. Mr. Baker has been an independent technology broker with TechBroker LLC in the areas of alternative energy and advanced transportation since 2007. Mr. Baker served as President and Chief Executive Officer of the Altarum Institute, a not-for-profit research institution from 1999 through 2007; and prior to that served in a variety of engineering, research and executive management positions with General Motors Corporation, including as program manager of its EV1 program, Vice President of Global Research and Development, and Vice President/General Manager of its Distributed Energy business venture. Mr. Baker is also a member of the board of directors of Ener1, Inc., and serves on the Board of Advisors of Gridpoint, Inc. Mr. Baker also served on the Board of Directors of Millennium Cell Inc. from 2000-2005 and again in 2008. Mr. Baker has a B.S. in mechanical engineering from Clarkson University. Mr. Baker provides a critical contribution to the board of directors reflecting his detailed knowledge of the alternative energy and advanced transportation industry, marketplace and technology.

*Murray Gell-Mann* has served as a member of our board of directors since 1971. Dr. Gell-Mann is a Co-Founder of the Santa Fe Institute, which is devoted to the interdisciplinary study of scientific problems related to simplicity and complexity and to adaptation and evolution, where he has served as a Distinguished Fellow since 1993. Dr. Gell-Mann is a Professor Emeritus of Theoretical Physics at the California Institute of Technology, a member of the U.S. National Academy of Sciences, a recipient of the Research Corporation Award and the Franklin Medal of the Franklin Institute and a 1969 Nobel Prize recipient for physics for his work on the theory of elementary particles. Dr. Gell-Mann is also a member of the Council on Foreign Relations and has served on the President's Science Advisory Committee and the President's Council of Advisors on Science and Technology. In addition, as one of the directors (1979 to 2002) of the John D. and Catherine T. MacArthur Foundation, Dr. Gell-Mann helped found the World Resources Institute, which conducts policy studies on global environmental problems. Dr. Gell-Mann has a B.S. in physics from Yale University and a Ph.D. in physics from Massachusetts Institute of Technology. Dr. Gell-Mann brings to the board of directors his unique perspective on and experience with cutting-edge science and research, as well as a deep knowledge of our corporate history and approach to innovation.

*Charles R. Holland* has served as a member of our board of directors since May 2004. General Holland retired as Commander, Headquarters U.S. Special Operations Command in November 2003 and currently serves as an independent consultant for various entities. Mr. Holland has been a consultant for AeroVironment 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 and was the Vice Commander of U.S. Air Forces in Europe. Mr. Holland previously served on the board of directors of General Atomics, Inc. and currently serves on the board of directors of Protonex Technology Corporation and as an advisor to Camber Corporation, General Atomics Aeronautical Systems, and Raytheon Company. 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. Mr. Holland brings to the board of directors his perspective and expertise as a warfighter and senior commander. He offers critical insight into the needs and demands of our Unmanned Aircraft System (UAS) customers.

#### **Class II Director Whose Term Will Expire in 2011**

*Joseph F. Alibrandi* has served as a member of our board of directors since 1999. Mr. Alibrandi has served as the Chief Executive Officer of Alibrandi Associates, a money management firm, since 1999 and is the former Chairman and Chief Executive Officer of Whittaker Corporation, a leading designer and manufacturer of a broad range of fluid control devices and systems for both commercial and military aircraft, as well as various industrial applications. Mr. Alibrandi has also served as a director of BancAmerica Corporation, Burlington Northern Santa Fe Corp., Jacobs Engineering, Catellus Development Corp., as Chairman of the Board of the Federal Reserve Bank of San Francisco, the International Policy Committee of the U.S. Chamber of Commerce, the California Business Roundtable's Task Force on Education and as Co-Chairman of President Reagan's Grace Commission. Mr. Alibrandi has a B.S. in mechanical engineering from Massachusetts Institute of Technology. Mr. Alibrandi brings to the board of directors his extensive executive experience with global organizations, as well as his operational, financial and corporate governance expertise.

#### **Class III Directors Whose Terms Will Expire in 2012**

*Timothy E. Conver* has served as our President since November 1990, as our Chief Executive Officer since 1992, and as a member of our board of directors since 1988. Prior to joining

AeroVironment, Mr. Conner served as President of Whittaker Electronic Resources, a supplier of engineered products for military electronics and industrial instrumentation, for ten years. Mr. Conner is a graduate of the University of Montana and has an M.B.A. from the University of California, Los Angeles. Mr. Conner's knowledge of all aspects of the business and its history, combined with his drive for innovation and focus on customer needs into the future, position him well to serve as our Chairman, President and Chief Executive Officer.

*Arnold L. Fishman* has served as a member of our board of directors since 1998. Mr. Fishman is the Founder of Lieberman Research Worldwide, a leading market research firm in the western United States, Interviewing Service of America, a supplier of market survey services, and Location Production Services, Inc., a firm that co-produces films and arranges specialized financial transactions in Croatia. Mr. Fishman has served as the Chairman of Lieberman Research Worldwide and Interviewing Service of America since 1979 and 1983, respectively. Mr. Fishman has a B.S. in psychology from Brooklyn College. Mr. Fishman brings to the board critical insight into market behaviors and communications and their relationship to successful business decision-making.

#### **Other Executive Officers**

*Jikun Kim* was appointed as our Senior Vice President and Chief Financial Officer effective June 22, 2010, after serving as Interim Chief Financial Officer since March 31, 2010. Prior to the interim appointment Mr. Kim served as our Vice President and Controller since June 2009. Prior to joining AeroVironment, Mr. Kim served with Raytheon Company, a defense contractor, for more than eight years, most recently as Chief Financial Officer of Raytheon Vision Systems. Raytheon Vision Systems is a world leader in infrared detector technology with approximately \$250 million in annual revenues and 800 employees focused on design and manufacturing infrared detectors for space, tactical and airborne infrared sensors. Mr. Kim received an M.B.A. from Columbia Business School, an M.S. in electrical engineering from the University of California at Los Angeles and a B.S. in electrical Engineering from the University of California at Berkeley.

*Tom Herring* was appointed as Senior Vice President and General Manager, Unmanned Aircraft Systems, effective March 8, 2010, having previously served as Vice President, Strategy for the same business from November 2008 to December 2009 and then as Vice President, Business Development. Prior to joining the Company, Mr. Herring worked for 27 years with BAE Systems in a succession of positions of increasing responsibility, and most recently as Vice President and General Manager of Integrated Solutions, a BAE Systems business unit with approximately \$150 million in annual revenues and approximately 300 employees. Mr. Herring received a B.B.A from Hofstra University and an M.B.A from Pepperdine University.

*Michael Bissonette* has served as our Senior Vice President and General Manager, Efficient Energy Systems since 2008. Previously, beginning in September 2007, he served as our Assistant General Manager, Energy Technology Center (which was consolidated with our PosiCharge business in 2008 to form Efficient Energy Systems). Before joining us, Mr. Bissonette was a Senior Director within multiple organizations at Western Digital Corporation, a designer, developer, manufacturer and seller of hard drives, from 1998 through 2007. As Senior Director for New Product Development at Western Digital Mr. Bissonette supervised all disk drive development programs for the company. Mr. Bissonette has a B.S. in electrical engineering from California State University, Long Beach and an M.B.A. from University of California, Irvine.

*Cathleen S. Cline* served as our Vice President of Administration beginning in 1991 and was named Senior Vice President of Administration in 2008. Prior to joining us, Ms. Cline was the Human Resources Manager at both Whittaker Electronic Resources and the law firm of O'Melveny & Myers LLP. Ms. Cline has a B.S. in psychology and a B.S. in business management from the University of Oregon.

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## THE BOARD OF DIRECTORS AND GOVERNANCE MATTERS

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Our business affairs are managed under the direction of our board of directors. Directors meet their responsibilities by participating in meetings of the board and board committees on which they sit, by communicating with our Chief Executive Officer and other officers, by reviewing materials provided to them and by visiting our offices and manufacturing locations.

During our fiscal year ended April 30, 2010, the board of directors met eight times, including four regularly scheduled meetings and four special meetings. Each director attended at least 75% of the aggregate of the total number of meetings of the board and the total number of meetings of committees on which he served.

We encourage, but do not require, our board members to attend the annual meeting of stockholders. Last year, two of our directors attended the annual meeting.

### **Governance**

Our board of directors adheres to governance principles designed to assure the continued vitality of the board and excellence in the execution of its duties. In December 2006, in preparation for our initial public offering, the board adopted a set of corporate governance guidelines reflecting these principles, including the policies with respect to: (a) requiring a majority of independent directors; (b) identification of directors that can best perpetuate the success of the business and represent stockholder interests through the exercise of sound judgment; and (c) regularly scheduled executive sessions, including a requirement for sessions of non-management directors, without management, at least twice per year and at least one executive session of independent directors per year. Our non-management directors and our independent directors each met twice for executive sessions during fiscal year 2010.

Stockholders and other interested parties who wish to communicate with our non-management directors should send their correspondence to: AeroVironment Non-Management Directors, c/o AeroVironment Nominating and Corporate Governance Committee, AeroVironment, Inc., 181 W. Huntington Dr., Suite 202, Monrovia, California 91016.

Our corporate governance guidelines reflect our principles on corporate governance matters. These guidelines are available at <http://investor.avinc.com> and are available in print to any stockholder who requests them.

### **Board Leadership Structure & Composition**

Our Nominating and Corporate Governance Committee is responsible for leading the search for qualified individuals for election as directors to ensure the board has the right mix of skills, expertise and background. The board believes that the following attributes are key to ensuring the continued vitality of the board and excellence in the execution of its duties: personal and professional integrity, ethics and values, experience in corporate management, such as serving as an officer of a publicly held company, and practical and mature business judgment. Each of our directors has these attributes. In identifying potential director candidates, the committee and the board also focus on ensuring that the board reflects a diversity of experiences, backgrounds and individuals. Although the board does not have a formal diversity policy, pursuant to the Policy Governing Director Qualifications and Nominations, as part of its evaluation of potential director candidates and in addition to other standards the Nominating and Corporate Governance Committee may deem appropriate from time to time for the overall structure and composition of the board of directors, the Committee is to consider whether each candidate, if elected, assists in achieving a diversity of expertise and experience in

substantive matters pertaining to our business relative to other board members. The Nominating and Corporate Governance Committee also considers the independence of candidates for director nominee, including the appearance of any conflict in serving as a director, as well as experience in our industries.

Our board is composed of a diverse group of leaders in their respective fields. Many of the current directors have leadership experience at major companies with operations inside and outside the United States, as well as experience on other companies' boards, which provides an understanding of different business processes, challenges and strategies. Other directors have experience as leaders of significant academic and research institutions or the U.S. military, which brings unique perspectives to the board and provides insight into issues faced by AeroVironment.

The committee and the board believe that the above-mentioned attributes, along with the leadership skills and other experiences of its board members described under "Executive Officers and Directors" above, provide us with the perspectives and judgment necessary to guide our strategies and monitor their execution.

Under our Corporate Governance Guidelines, our board of directors annually reviews the financial and other relationships between the non-management directors and the company as part of its annual assessment of director independence. The Nominating and Corporate Governance Committee makes recommendations to the board about the independence of non-management directors, and the board determines whether those directors are independent. The board uses the definition of independence under The Nasdaq Stock Market LLC (Nasdaq) listing standards when determining whether its members are independent. Applying those standards, the board has determined that each of the following non-management directors is independent: Joseph F. Alibrandi, Kenneth R. Baker, Arnold L. Fishman and Murray Gell-Mann. The board has determined that Mr. Holland does not qualify as an independent director in view of the payments made to Mr. Holland over the last three years as a consultant to the company. As a result, Mr. Holland does not participate on any committee of the board or in executive sessions of the independent directors. Otherwise, Mr. Holland continues to participate fully in the board's activities and to provide valuable expertise and advice. Timothy E. Conver is not an independent director because he serves as our President and Chief Executive Officer.

At present, Mr. Conver serves as our Chairman and Chief Executive Officer. Mr. Conver took on the role of Chairman upon the retirement of our founder and former Chairman, Dr. Paul MacCready, in August 2007. The board currently has four independent directors and believes that this leadership structure is effective for the company. The board does not currently have a lead independent director. The Nominating and Corporate Governance Committee conducts an annual assessment of our corporate governance structures and processes, which includes a review of our board leadership structure and whether combining or separating the roles of Chairman and Chief Executive Officer is in the best interests of our stockholders. At present, our board believes that it is in the stockholders' best interests for the Chief Executive Officer to also serve as Chairman of the Board. The board believes that the combined Chairman and Chief Executive Officer provides a single leader for the Company who is understood by our employees, customers, business partners and stockholders as providing strong leadership for the company and possesses the ability and resources to implement our complex business strategy in fast-moving emerging markets with the required agility. In addition, the board believes that Mr. Conver's interest as a significant shareholder is strongly aligned with his fiduciary duty as a director and Chairman of the Board.

#### **Role in Risk Oversight**

Our Board 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.

## Committees of the Board

Our board of directors has established four committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Executive Committee. Our board of directors may establish other committees to facilitate the management of our business. 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.

Membership of each committee is as follows, with committee chairpersons listed first.

<b>Audit Committee</b>	<b>Nominating and Corporate Governance Committee</b>
Joseph F. Alibrandi	Murray Gell-Mann
Kenneth R. Baker	Joseph F. Alibrandi
Arnold L. Fishman	Arnold L. Fishman
<b>Compensation Committee</b>	<b>Executive Committee</b>
Arnold L. Fishman	Arnold L. Fishman
Kenneth R. Baker	Timothy E. Conver
Murray Gell-Mann	

**Audit Committee.** The board has determined that Mr. Alibrandi qualifies as an audit committee financial expert as defined by the rules of the SEC. 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;
- preparing the audit committee report that the SEC requires in our annual proxy statements; and
- reviewing and approving any related party transactions.

The Audit Committee held four meetings in fiscal year 2010. The board of directors has adopted a written charter for the Audit Committee, which is available via our website at <http://investor.avinc.com>. The information contained on our website is not incorporated by reference into and does not form a part of this proxy statement.

The code of business conduct and ethics (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.** Our Compensation Committee's purpose is to assist our board of directors in determining the development plans and compensation for our senior management and directors and recommend these plans to our board. 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);
- 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 (the Exchange Act);
- to review all executive officers' employment agreements and severance arrangements;
- 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; 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.

The Compensation Committee held eight meetings in fiscal year 2010. The board of directors has adopted a written charter for the Compensation Committee, which is available via our website at <http://investor.avinc.com>. The charter is also available in print to any stockholder who requests it.

The members of our Compensation Committee in fiscal year 2010 were Arnold F. Fishman, Kenneth R. Baker and Murray Gell-Mann. None of the 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. Our entire board of directors made all compensation decisions prior to the creation of our Compensation Committee.

***Nominating and Corporate Governance Committee.*** 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 comprised 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 considering candidates for directors, the Nominating and Corporate Governance Committee takes into account a number of factors, including the following:

- independence from management;
- personal and professional integrity, ethics and values;
- experience in corporate management, such as serving as an officer or former officer of a publicly held company;
- experience in our industry;
- 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;
- practical and mature business judgment; and
- the size and composition of the existing board of directors.

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 the proposing stockholder and the candidate, any rights 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 governance guidelines.

The Nominating and Corporate Governance Committee held two meetings in fiscal year 2010. The board of directors has adopted a written charter for the committee, which is available via our website at <http://investor.avinc.com>. The charter is also available in print to any stockholder who requests it.

**Executive Committee.** 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.

The Executive Committee held one meeting in fiscal year 2010. The board of directors has adopted a written charter for the Executive Committee, which is available via our website at <http://investor.avinc.com>. The charter is also available in print to any stockholder who requests it.

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## DIRECTOR COMPENSATION

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### Compensation of Non-Employee Directors

The general policy of our board 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 reviews the Compensation Committee's recommendations and determines the amount of director compensation.

Our Human Resources department and Chief Executive Officer support the Compensation Committee in setting director compensation and creating director compensation programs. In addition, the Compensation Committee is empowered to engage the services of outside advisers, experts and others to assist it directly.

To assist the Compensation Committee in its review of director compensation our Human Resources department engaged Compensia, Inc., a national compensation consulting firm, to provide director compensation data compiled from the annual reports and proxy statements of companies generally considered comparable to us as determined by the Compensation Committee.

Our board followed the recommendation of the Compensation Committee and determined non-employee director cash compensation as follows:

<u>Director Responsibilities</u>	<u>Annual Retainer</u>	<u>Meeting Attendance Fee</u>
Board Members	\$ 30,000	\$ 1,000
Audit Committee Member (including Chair)	\$ —	\$ 1,000
Chair of Audit Committee	\$ 10,000	\$ —
Nominating and Corporate Governance Committee Member (including Chair)	\$ —	\$ 500
Chair of Nominating and Corporate Governance Committee	\$ 3,000	\$ —
Compensation Committee Member (including Chair)	\$ —	\$ 500
Chair of Compensation Committee	\$ 5,000	\$ —

In May 2010, our board followed the recommendation of the Compensation Committee to change the cash compensation for our non-employee directors to a retainer-only plan. Effective August 1, 2010, non-employee director cash compensation is as follows:

<u>Director Responsibilities</u>	<u>Annual Retainer</u>
Board Members	\$ 35,000
Chair of Audit Committee	\$ 15,000
Audit Committee Member (not including Chair)	\$ 5,000
Chair of Nominating and Corporate Governance Committee	\$ 5,000
Nominating and Corporate Governance Committee Member (not including Chair)	\$ 2,500
Chair of Compensation Committee	\$ 8,000
Compensation Committee Member (not including Chair)	\$ 4,000

Annual retainer amounts are paid in four equal annual installments at the beginning of each of our fiscal quarters if the individual is still serving as a director at such time. Meeting attendance fees

were paid at the end of each fiscal quarter for the meetings attended during such quarter prior to August 1, 2010.

We also reimburse non-employee directors for out-of-pocket expenses incurred in connection with attending board or committee meetings.

Our current practice is to consider granting each non-employee director stock options upon their initial election or appointment to the board, and annually, as recommended by our Compensation Committee. Directors' options vest in equal annual installments over a five-year period from the date of grant. Vesting accelerates upon the director's death or disability or if the director is not nominated by the board for re-election as a director.

#### Fiscal Year 2010 Non-Employee Director Compensation Table

The following table identifies the compensation paid during fiscal year 2010 to each person who is currently a non-employee director. Information regarding the amounts in each column follows the table.

Name	Fees Earned or Paid in Cash (\$)	Option Awards <sup>(1)</sup> (\$)	All Other Compensation (\$)	Total (\$)
Joseph F. Alibrandi	53,000	23,726	—	76,726
Kenneth R. Baker	46,000	23,726	—	69,726
Arnold L. Fishman	54,000	23,726	—	77,726
Murray Gell-Mann	46,000	23,726	—	69,726
Charles R. Holland	38,000	23,726	222,220 <sup>(2)</sup>	283,946

(1) The value of the stock option awards equals their grant date fair value as computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 with respect to options awarded to directors during fiscal year 2010. For additional information regarding the valuation assumptions used in the calculation of these amounts, refer to Note 8 to the financial statements included in our annual report on Form 10-K for our 2010 fiscal year, as filed with the SEC.

(2) Consists of consulting fees received by Mr. Holland. See "Certain Transactions and Relationships" below for full description of Mr. Holland's consulting relationship.

On June 22, 2010, each non-employee director was awarded options to purchase 3,500 shares of our common stock, at an exercise price of \$24.57 per share pursuant to the recommendation of the Compensation Committee.

The non-employee members of our board who held such positions on April 30, 2010 held the following aggregate number of unexercised options as of such date:

Name	Number of Securities Underlying Unexercised Options
Joseph F. Alibrandi	9,815
Kenneth R. Baker	9,015
Arnold L. Fishman	26,705
Murray Gell-Mann	12,630
Charles R. Holland	56,264

The following table provides a breakdown of fees earned or paid in cash during fiscal year 2010.

<b>Name</b>	<b>Annual Retainers (\$)</b>	<b>Committee Chair Retainer Fees (\$)</b>	<b>Board Member Meeting Fees (\$)</b>	<b>Committee Member Meeting Fees (\$)</b>	<b>Total Fees (\$)</b>
Joseph F. Alibrandi	30,000	10,000	8,000	5,000	53,000
Kenneth R. Baker	30,000	—	8,000	8,000	46,000
Arnold L. Fishman	30,000	5,000	8,000	11,000	54,000
Murray Gell-Mann	30,000	3,000	8,000	5,000	46,000
Charles R. Holland	30,000	—	8,000	—	38,000

## 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 2010 proxy statement. Based on its review and discussions with management, 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**  
**Kenneth R. Baker**  
**Murray Gell-Mann**

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

- Timothy E. Conver, the Chairman of our Board of Directors, President and Chief Executive Officer (our "CEO");
- Jikun Kim, our Senior Vice President and Chief Financial Officer;
- Tom Herring, our Senior Vice President and General Manager, Unmanned Aircraft Systems;
- Michael Bissonette, our Senior Vice President and General Manager, Efficient Energy Systems;
- Cathleen Cline, our Senior Vice President, Administration;
- Stephen C. Wright, our former Senior Vice President and Chief Financial Officer; and
- John F. Grabowsky, our former Executive Vice President and General Manager, Unmanned Aircraft Systems.

Mr. Wright resigned from his position as Senior Vice President and Chief Financial Officer effective March 31, 2010. At that time, Mr. Kim, our Vice President and Controller, was appointed to act as our interim Chief Financial Officer. On June 22, 2010, Mr. Kim was appointed as our Senior Vice President and Chief Financial Officer.

Mr. Grabowsky resigned his position as Executive Vice President and General Manager, Unmanned Aircraft Systems to serve as our Chief Technology Officer. Effective March 8, 2010, Mr. Herring was appointed as our Senior Vice President and General Manager, Unmanned Aircraft Systems.

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 of our board of directors (the "Compensation Committee") arrived at specific compensation policies and decisions involving our executive officers during fiscal 2010.

## **Executive Compensation Philosophy**

Our executive compensation program is designed to support our business goals and objectives by providing a link between the amounts earned by our executive officers, including the Named Executive Officers, and the creation of 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 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.

## **Compensation Program Design**

The compensation of our executive officers, including the Named Executive Officers, consists of base salary, an annual cash bonus, long-term incentive compensation, and other employee benefits. 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 executive officer.

We design each of these compensation components to attract, motivate, and retain superior talent in a very competitive market for such talent. In addition, certain compensation components serve our other important interests. For example, annual cash bonuses are designed to motivate our executive officers to attain vital short-term business goals and objectives as reflected in our annual operating plan. Long-term incentive compensation consists of equity awards that vest over a multi-year period. This design approach helps align the interests of our executive officers with those of stockholders in seeing long-term increases in the value of our common stock.

We offer cash compensation in the form of base salaries and annual cash bonuses that we believe appropriately reward our executive officers for their contributions to our business. Typically, cash bonuses are based on the level of achievement against one or more pre-established annual corporate and business segment financial performance objectives and an assessment of each individual executive officer's performance during the year. We offer long-term incentive compensation in the form of stock options and restricted stock awards. This approach reflects our decision to use equity to incent our executive officers to focus on the growth of our overall enterprise value, align their compensation with our business strategy, values, and management initiatives, and, correspondingly, to create value for our stockholders.

## **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 calendar 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.

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 at comparable companies that we consider to be our peers. To reward our executive officers for their contributions to the achievement of pre-established annual corporate and business segment financial performance objectives linked to the Company's annual operating plan, 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, the total annual cash compensation for above-average performance will exceed the average total cash compensation level of executives at comparable companies that we consider to be our peers. The Compensation Committee has adopted this approach in recognition of the aggressive nature of the Company's annual operating plan.

The Compensation Committee exercises its discretion in setting the compensation of our executive officers. As a result, the total compensation (or any particular component of compensation) received by an executive officer may differ materially from the amounts paid by comparable companies that we consider to be our peers. 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.

#### *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 Senior Vice President, Administration. He also provides recommendations for the corporate and business segment financial objectives and individual performance objectives used in our annual cash bonus plan. He supports his recommendations with competitive market data developed by our Human Resources Department and by reviewing 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 compensation consultant and any relevant supporting data.

While our Chief Executive Officer 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 the independent members of our board (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)

The Compensation Committee may delegate and grant authority to our Chief Executive Officer and/or a committee of executive officers to grant 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 2010, the Compensation Committee did not independently engage an executive



compensation advisor, but relied upon the engagement of Compensia, Inc., a national compensation consulting firm, by management to provide executive compensation advisory service, including an executive officer compensation assessment and a board of directors' compensation review. Compensia, Inc. did not provide any non-compensation-related services to us during fiscal 2010.

### *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 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 fiscal 2010 peer group consisted of the following companies:

Applied Signal Technology, Inc.	Herley Industries, Inc.
Argon ST, Inc.	iRobot Corporation
Astronics Corporation	KVH Industries, Inc.
Cbeyond, Inc.	LMI Aerospace, Inc.
Cogent, Inc.	NCI, Inc.
Ducommun	Stanley, Inc.
GenCorp	II-VI Incorporated

### **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. Typically, the Compensation Committee reviews the base salaries of our executive officers at the beginning of each calendar year, as well as at the time of a promotion or other change in responsibilities. Base salary adjustments generally go into effect within the first quarter of each calendar year. Base salary adjustments are based on an evaluation of an executive officer's position, tenure with our company, 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 at the companies in our peer group.

In light of the considerations discussed above, for fiscal year 2010, the annual base salaries of our Chief Executive Officer, Chief Financial Officer, Senior Vice President of Unmanned Aircraft Systems, Senior Vice President of Efficient Energy Systems, and Senior Vice President, Administration were, \$471,095, \$198,530, \$207,470, \$259,638, and \$225,494, respectively. Our former Chief Financial Officer and former Executive Vice President of Unmanned Aircraft Systems received total base salary compensation of \$291,813, and \$300,019, respectively, during fiscal 2010. Mr. Wright resigned as our Senior Vice President and Chief Financial Officer effective March 31, 2010. At that time Mr. Jikun Kim was appointed to act as our interim Chief Financial Officer at his existing base salary of \$229,715. On June 22, 2010, Mr. Kim was appointed as our Senior Vice President and Chief Financial Officer and his base salary was adjusted to \$260,000. Mr. Grabowsky resigned as Executive Vice President and General Manager of our Unmanned Aircraft Systems business effective March 8, 2010. Mr. Herring was simultaneously appointed as Senior Vice President and General Manager of our Unmanned Aircraft Systems to replace Mr. Grabowsky and his base salary was adjusted to \$260,000.

We believe that the base salaries paid to our executive officers during our fiscal year 2010 helped to achieve our executive compensation objectives, compare favorably to our peer group and, in light of our overall compensation program, are at or near the median salary of the executives holding comparable positions at companies in our peer group.

#### *Annual Cash Bonuses*

We believe that a significant portion of overall cash 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). We use these cash bonus opportunities to motivate our executive officers to achieve our short-term financial and strategic objectives 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 the our financial results and consideration of each executive officer's individual performance during the fiscal year. 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, as well as its evaluation of the expected and actual performance of each executive officer, his or her individual contributions and responsibilities, and market conditions.

#### Setting Baseline Bonus Levels

Initially, the Compensation Committee establishes a "baseline bonus level" for each executive officer, which is expressed as a percentage of his or her base salary. In setting these baseline bonus levels, which are intended to provide a competitive level of cash compensation when we meet our annual operating plan and the individual executive officer meets his or her individual performance objectives, the Compensation Committee considers the cash compensation of executives holding comparable positions at the companies in our peer group.

Generally, the Compensation Committee sets the baseline bonus levels so that, assuming achievement of the corporate financial and individual performance objectives, the combined base salary and annual bonus opportunities for our executive officers will exceed the median total cash compensation of comparable executives at the companies in our peer group by 20% - 40%. The Compensation Committee believes that this approach is consistent with the high level of growth generally reflected in such corporate and individual performance objectives.

#### Establishing Performance Measures and Goals

At the beginning of each fiscal year, the Compensation Committee identifies one or more corporate performance measures and establishes a specific performance target level for each measure for purposes of calculating the amount of the maximum permissible bonus for each executive officer. To ensure that any bonuses paid to the Named Executive Officers whose total remuneration exceeds \$1 million will be deductible by us for federal income tax purposes, the target level established by the Compensation Committee for each corporate performance measure must be met.

In the event that the target level for any corporate performance measure is not met, then no bonus may be paid to any executive officer. If the target levels for the applicable corporate performance measures are met, then our executive officers will be considered to have earned the maximum permissible bonus, subject to reduction in the discretion of the Compensation Committee. Pursuant to this "negative discretion," the Compensation Committee may reduce (but cannot increase) the amount of the bonus payout for any executive officer based on such factors as the Compensation Committee may determine, including, but not limited to, the achievement of one or more

pre-established financial and strategic goals, which may be quantitative or qualitative in nature, as well as the baseline bonus level for each executive officer.

#### 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 performance measures established at the beginning of the year. If these target levels have been met, then the Compensation Committee uses its discretion to reduce the maximum permissible bonus for each executive officer as follows:

- A portion of the maximum permissible bonus amount equal to the baseline bonus level for the executive officer is increased or decreased to reflect actual performance as compared to his or her pre-established individual financial and strategic goals. This adjustment is made pursuant to a formula that determines the percentage of the baseline bonus level to be paid, based on a percentage of achievement, subject to both a minimum performance level below which no payout will be made and an established upper limit. This assessment allows bonus decisions to take into account each executive officer's individual performance and contributions during the fiscal year.
- Thereafter, the remaining portion of the maximum permissible bonus amount for each executive officer is increased or decreased based upon the recommendation of our CEO (except with respect to his own bonus) and the Compensation Committee's assessment of performance in the event of any unforeseen extraordinary event or transaction that occurred during the fiscal year.

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 2010 Bonuses

The Compensation Committee designed our fiscal 2010 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 financial objectives. Tom Herring and Jikun Kim were not included in the Named Executive Officer Bonus Plan for fiscal 2010.

For fiscal 2010, the Compensation Committee:

- established the baseline bonus levels for the Named Executive Officers as follows:

<u>Named Executive Officer</u>	<u>Baseline Bonus Level</u>	<u>Percentage of Base Salary</u>
Timothy E. Conner	\$ 472,500	99%
Michael Bissonette	\$ 181,000	70%
Cathleen Cline	\$ 112,000	49%
Stephen C. Wright	\$ 232,000	80%
John F. Grabowsky	\$ 300,000	100%

- selected operating income margin as the corporate performance measure for annual bonuses and set the target level for this measure at 9%; and
- determined that the maximum permissible bonus amount for each executive officer would be 300% of his or her base salary if this target level was achieved.

In addition, the Compensation Committee selected several financial and strategic goals for each executive officer to be used in adjusting the baseline bonus amount portion of his or her maximum permissible bonus:

- The financial goals established for our Chief Executive Officer were the top of the range of public guidance provided by the Company for revenue growth and operating income at the beginning of fiscal 2010.
- The financial goals established for the other Named Executive Officers were established at levels for their respective business or functions that, when taken in aggregate, would produce financial results for the Company at or above the range of public guidance provided by the Company.
- The strategic goals established for the Named Executive Officers were as follows:

<b>Named Executive Officer</b>	<b>Strategic Goal Categories</b>
Timothy E. Conver	Compliance; Strategic Growth Positioning; Key Program Wins; Market Share; Innovation Transition; Organizational Development; Great Place to Work
Michael Bissonette	Compliance; Strategic Growth Positioning; Key Program Wins; Market Share; Innovation Transition; Organizational Development; Great Place to Work
Cathleen Cline	Compliance; Strategic Growth Positioning; Organizational Development; Great Place to Work
Stephen C. Wright	Compliance; Strategic Growth Positioning; Organizational Development; Great Place to Work
John F. Grabowsky	Compliance; Strategic Growth Positioning; Key Program Wins; Market Share; Innovation Transition; Organizational Development; Great Place to Work

The Compensation Committee selected the financial and strategic goals for each executive officer based on the recommendation of our Chief Executive Officer and after reviewing the Company's annual operating plan for fiscal 2010, as well as its long-term strategic plan. The Compensation Committee determined that these financial and strategic goals should enhance the development of long-term stockholder value and, therefore, that it was appropriate to base annual bonuses on the achievement of these goals.

The Compensation Committee weighted each of the specific financial goals based on its evaluation of their relative importance, and weighted the aggregate financial and strategic goals equally. The Compensation Committee selected the financial and strategic goals for each executive officer based on the recommendation of our CEO and after reviewing the Company's annual operating plan for fiscal 2010, as well as its long-term strategic plan.

The Compensation Committee then implemented a sliding scale that calculated a downward adjustment to 50% of the baseline bonus amount upon 75% total achievement (financial and strategic), and an upward adjustment of 200% upon 150% total achievement. The baseline bonus amount was reduced to zero if an executive officer did not reach at least 75% achievement for both his aggregate financial and strategic goals, as shown below:

**Scaled Adjustment of Baseline Bonus Amounts Based on Total Performance:**

Percentage of Achievement:	<75%	75%	100%	150%
Percentage of Baseline Bonus Amount Paid:	0	50%	100%	200%

Following the completion of fiscal 2010, the Compensation Committee determined that the Company's operating income margin for the year was 12%, exceeding the target level of 9%.

Accordingly, each executive officer's annual cash bonus was determined based on his or her level of achievement against his or her individual financial and strategic goals. Mr. Wright was not eligible to receive a bonus since he was not employed by us at the time of the bonus payout.

The annual cash bonuses paid to the Named Executive Officers for fiscal 2010 were determined as follows:

- Actual fiscal 2010 performance with respect to each financial goal was compared to the target level for each of these goals established by the Compensation Committee for each executive officer at the beginning of the fiscal year. The performance of Messrs. Grabowsky and Bissonette was measured against the financial goals for their respective business segment only. A "Percentage of Achievement" was then calculated for each of the financial goals. This Percentage of Achievement for each financial goal was then multiplied by the weighting set forth below to arrive at a weighted multiple, and the weighted multiples were combined to arrive at an aggregate financial Percentage of Achievement, as reflected below.

#### Percentage of Achievement of Financial Goals

Named Executive Officer	Financial Measure	Performance Goal <sup>(1)</sup>	Actual Performance <sup>(1)</sup>	Percentage of Achievement	Financial Performance Weights	Weighted Total Financial Percentage of Achievement
Timothy E. Conver	Revenue:	\$ 323,727,000	\$ 249,519,000	77.1%	50%	72.3%
	Operating Income:	\$ 44,301,000	\$ 29,881,000	67.4%	50%	
Michael Bissonette	Revenue (Efficient Energy Systems (EES)):	\$ 48,500,000	\$ 25,339,000	52.2%	50%	54.4%
	EES Gross Margin:	\$ 23,765,000	\$ 11,716,000	49.3%	30%	
	Operating Income:	\$ 44,301,000	\$ 29,881,000	67.4%	20%	
Cathleen Cline	Revenue:	\$ 323,727,000	\$ 249,519,000	77.1%	50%	72.3%
	Operating Income:	\$ 44,301,000	\$ 29,881,000	67.4%	50%	
John F. Grabowsky	Revenue (Unmanned Aircraft Systems (UAS)):	\$ 275,227,000	\$ 224,179,000	81.5%	50%	80.2%
	UAS Gross Margin:	\$ 98,795,000	\$ 85,573,000	86.6%	30%	
	Operating Income:	\$ 44,301,000	\$ 29,881,000	67.4%	20%	

(1) Rounded to the nearest \$1,000.

- The Compensation Committee then evaluated each executive officer's performance against his or her strategic goals for fiscal 2010 and arrived at a Percentage of Achievement for each of these goals. These Strategic Goal Percentage of Achievement determinations were based on the Compensation Committee's concurrence with our Chief Executive Officer's assessment of the contribution of each executive officer to our overall success during fiscal 2010 and positioning us for long-term success. The overall resulting bonuses were commensurate with our success and each executive officer's contribution to it. With respect to performance by each executive officer, the Compensation Committee determined that the noted achievements supported the determination for each executive officer.

## Percentage of Achievement of Strategic Goals

Named Executive Officer	Strategic Goal Performance	Percentage of Achievement
Timothy E. Conver	Mr. Conver continued his leadership and execution against our strategic intent of market leading growth including further development and positioning of products with long term growth potential in both our Unmanned Aircraft Systems (UAS) and Efficient Energy Systems businesses; maintenance of leading market share in our served markets; and as a result of strong succession planning filled three vacated executive officer positions with internal candidates.	85%
Michael Bissonette	Mr. Bissonette lead the successful launch of the Electric Vehicle Solutions product line including winning a contract to support a major automobile manufacturer's electric vehicle roll-out with Electric Vehicle Service Equipment residential charge ports and maintenance of market share in industrial fast-charging and electric vehicle test equipment.	100%
Cathleen Cline	Ms. Cline has focused on organizational development and succession planning and was instrumental in the hiring of several key employees. Ms. Cline has successfully and cost effectively managed the company's benefit and compensation plans. In addition, she has successfully led the strategy and management of our security, health and safety and ethics programs.	85%
John F. Grabowsky	Mr. Grabowsky led the achievement of important UAS business milestones including Global Observer and Switchblade product and program development; successful role out and adoption of the Digital Data Link; and maintenance of market share in our UAS served markets.	85%

### Discretionary Adjustment

- The Compensation Committee did not exercise its discretion to decrease the Executive Officers' bonus amounts.

The Compensation Committee then calculated final fiscal year 2010 bonuses for the Named Executive Officers as follows, rounding to the nearest \$1,000:

Named Executive Officer	Baseline Bonus Amount	Financial % Achievement	Individual Strategic % Achievement	Weight	Total % Achievement	Scaled	Discretionary Increase	Total Payout %	Total Bonus Amount
Timothy E. Conver	\$ 472,500	72.3%	85%	50/50	78.6%	57.3%	0	57.3%	\$ 271,000
Michael Bissonette	\$ 181,000	54.4%	100%	50/50	77.2%	54.4%	0	54.4%	\$ 98,000
Cathleen Cline	\$ 112,000	72.3%	85%	50/50	78.6%	57.3%	0	57.3%	\$ 64,000
John F. Grabowsky	\$ 300,000	80.2%	85%	50/50	82.6%	65.2%	0	65.2%	\$ 196,000

### *Fiscal 2010 Management Bonus Plan Awards*

For fiscal 2010 Mr. Herring and Mr. Kim were eligible for, and were awarded, bonuses pursuant to the Company's Management Bonus Plan. Under the Company's Management Bonus Plan, certain employees that are not Named Executive Officers are eligible to earn cash bonus amounts based upon

the establishment of an individual target bonus, and achievement of financial goals. For fiscal 2010 Mr. Herring was awarded a bonus of \$39,758, and Mr. Kim was awarded a bonus of \$29,740.

#### *Long-Term Incentive Compensation*

We use equity awards to motivate our executive officers, including the Named Executive Officers, to increase the long-term value of our common stock and, thereby, to align the interests of our executive officers with those of our stockholders. These equity awards, which include stock options and restricted stock awards, are intended to further our success by ensuring that sustainable value creation is a key factor in our executive officers' management of our business.

The size and form of these equity awards is determined by the Compensation Committee in its discretion. We use stock options as one of our long-term incentives because, in addition to providing our executive officers with the opportunity to develop a stock ownership stake in the our company, they result in compensation only to the extent that the market price of our common stock increases over the option term. We use restricted stock as one of our long-term incentives because it rewards our executive officers for improved stock price performance, but also encourages executive retention as these awards maintain value even during periods when there is volatility in our stock price.

In making equity awards to our executive officers, the Compensation Committee considers various factors, including not limited to, the recommendations of our Chief Executive Officer, the role and responsibilities of the executive officer, past performance, future planned contributions, and prior equity awards.

As noted above, the Compensation Committee has the discretion to determine which executive officers will receive equity awards, as well as the amount of any such awards. Typically, the Compensation Committee grants equity awards only on the dates of its regularly-scheduled committee meetings, without regard to the timing of the release of material information about us. All stock options are granted with an exercise price equal to the closing market price of our common stock on the date of grant. Generally, stock options vest in five equal installments on each of the first five anniversaries of the date of grant.

#### **Other Compensation**

##### *Employee Benefit Plans*

We maintain various broad-based employee benefit plans for our employees. Our executive officers, including the Named Executive Officers, participate in these plans on the same terms as other eligible employees, subject to any applicable limits on the amounts that may be contributed on behalf of or paid to our executive officers under these plans.

We have established a tax-qualified Section 401(k) retirement savings plan for our salaried U.S. employees who satisfy certain eligibility requirements. We intend for this plan to qualify under Section 401(a) of the Internal Revenue Code so that contributions by participants to the plan, and income earned on plan contributions, are not taxable to participants until withdrawn from the plan. Pursuant to the Section 401(k) plan, in the case of participants who contribute a portion of their annual base salary to the plan, we provide a matching contribution of up to 5.75% of such annual base salary. The matching contributions made to the accounts of the Named Executive Officers during fiscal 2010 are set forth in the Summary Compensation Table below.

We also maintain other benefit plans for our employees, which include medical and dental benefits, medical and dependent care flexible spending accounts, long-term disability insurance, accidental death and dismemberment insurance, and basic life insurance coverage. Except as noted in the following sentences, these benefits are provided to our executive officers on the same general terms as to all of our salaried U.S. employees. Certain employees receive higher disability insurance benefits

than other employees based on a threshold base compensation level. Our executive officers, including the Named Executive Officers, receive higher life, accidental death, and dismemberment insurance benefits than our other employees.

We design our employee benefit programs to be affordable and competitive in relation to the market, as well as compliant with applicable laws and practices. We adjust our employee benefit programs as needed based upon regular monitoring of applicable laws and practices and the competitive market.

#### *Perquisites and Personal Benefits*

We do not view perquisites or other personal benefits as a significant component of our executive compensation program. From time to time, however, we have provided limited perquisites to certain of our executive officers to enhance their efficiency and to ensure that their compensation packages are competitive. In fiscal 2010, we provided our executive officers with life, accidental death, and dismemberment insurance benefits in an amount exceeding that offered to our non-executive employees.

We provided our Chief Executive Officer with a company automobile and contractually agreed to pay for his retirement health benefits. Pursuant to this commitment, we will provide supplemental medical coverage for our Chief Executive Officer and his spouse, effective upon his retirement.

The amounts of the perquisites and other personal benefits provided to the Named Executive Officers in fiscal 2010 are disclosed in the Summary Compensation Table below.

#### *Post-Employment Compensation*

We do not have formal employment agreements with our executive officers, nor do we provide them with post-employment payments and benefits upon their termination of employment in certain circumstances, including in connection with a change in control of the Company.

### **Tax and Accounting Considerations**

#### *Deductibility of Executive Compensation*

Generally, Section 162(m) of the Internal Revenue Code disallows a tax deduction to any publicly-held corporation for any remuneration in excess of \$1 million paid in any taxable year to its chief executive officer and certain other executive officers. Remuneration in excess of \$1 million may be deducted if, among other things, it qualifies as "performance-based compensation" within the meaning of the Code. In this regard, the compensation income realized upon the exercise of stock options granted under a stockholder-approved stock option plan generally will be deductible so long as the options are granted by a committee whose members are non-employee directors and certain other conditions are satisfied.

Currently, it is the policy of the Compensation Committee to maximize, to the extent reasonably possible, the Company's ability to obtain a corporate tax deduction for compensation paid to the Named Executive Officers to the extent consistent with the best interests of the Company and its stockholders. In particular, the Fiscal 2010 Executive Performance Bonus Program was designed to provide "performance-based compensation" and deductible under Section 162(m). However, the Compensation Committee believes that stockholder interests are best served by not restricting the Compensation Committee's discretion and flexibility in crafting compensation programs, even though such programs may result in certain non-deductible compensation expenses. Accordingly, the Compensation Committee reserves the right to approve elements of compensation for certain officers that are not fully deductible in the future in appropriate circumstances.



The Compensation Committee believes that the compensation paid to the Named Executive Officers during fiscal 2010 did not exceed the deduction limit.

#### *Taxation of "Parachute" Payments*

Sections 280G and 4999 of the Code provide that executive officers and directors who hold significant equity interests and certain other service providers may be subject to an excise tax if they receive payments or benefits in connection with a change in control of the Company that exceeds certain prescribed limits, and that we, or our successor, may forfeit a deduction on the amounts subject to this additional tax. We did not provide any executive officer, including any Named Executive Officer, with a "gross-up" or other reimbursement payment for any tax liability that he or she might owe as a result of the application of Sections 280G or 4999 during fiscal 2010 and we have not agreed and are not otherwise obligated to provide any Named Executive Officer with such a "gross-up" or other reimbursement.

#### *Taxation of Deferred Compensation*

Section 409A of the Code imposes significant additional taxes in the event that an executive officer, director, or service provider receives "deferred compensation" that does not satisfy the restrictive conditions of the provision. Although we did not have a traditional nonqualified deferred compensation plan in place for executive officers during fiscal 2010, Section 409A applies to certain equity awards and severance arrangements. To assist employees in avoiding additional taxes under Section 409A, we believe that we have structured equity awards in a manner intended to comply with, or secure an exemption from, the applicable Section 409A conditions.

#### *Accounting for Stock-Based Compensation*

We follow Financial Accounting Standards Board Accounting Standards Codification Topic 718 (formerly known as SFAS No. 123(R)), or ASC Topic 718, for our stock-based compensation awards. ASC Topic 718 requires companies to calculate the grant date "fair value" of their stock-based awards using a variety of assumptions. This calculation is performed for accounting purposes and reported in the compensation tables below, even though recipients may never realize any value from their awards. ASC Topic 718 also requires companies to recognize the compensation cost of their stock-based awards in their income statements over the period that an employee is required to render service in exchange for the award.

#### **Risk Oversight of Compensation Programs**

We have conducted a risk assessment of our compensation policies and practices for our employees, including those relating to our executive compensation program. This risk assessment included a review of our compensation programs into which employees at all levels of the organization may participate, including our executive officers. Based on our assessment, we believe that our compensation programs have been appropriately designed to attract and retain talent and properly incent our employees while ensuring that they do not encourage excessive risk taking. We believe that programs and controls are in place to ensure that our employees, including our executive officers, are not encouraged to take unnecessary risks in managing our business.

These programs and controls include:

- Oversight of the compensation programs by the Compensation Committee;
- Discretion provided to the Compensation Committee to select performance measures and set target levels, monitor performance and determine final payouts;

- Additional oversight of the compensation programs by a broad-based group of functions within the Company, including Human Resources, Finance and Legal and at multiple levels within the Company;
- A balanced mix of compensation programs that focus our employees on achieving both short-term and long-term goals and that provide a balanced mix of fixed and variable compensation;
- Caps on the maximum payouts available under certain programs, including the Executive Bonus Program; and
- Service-based vesting conditions with respect to equity awards.

We discussed the findings of our risk assessment with the Compensation Committee. Based upon the assessment, we believe that our compensation policies and practices do not encourage excessive or unnecessary risk taking and are not reasonably likely to have a material adverse effect on the Company.

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**EXECUTIVE COMPENSATION**

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**Summary Compensation Table**

The following table sets forth, as to each person serving as Chief Executive Officer and Chief Financial Officer during fiscal year 2010, and the three most highly compensated executive officers other than the Chief Executive Officer and Chief Financial Officer who were serving as executive officers at the end of fiscal year 2010 whose compensation exceeded \$100,000, plus two additional individuals who served as executive officers during fiscal 2010 but who were not serving in such capacity at the end of fiscal year 2010 but who are required to be included in the following table pursuant to Securities and Exchange Commission rules, or the Named Executive Officers, information concerning all compensation paid for services to us in all capacities for fiscal years 2008, 2009 and 2010.

Name and Principal Positions	Year	Salary (\$)	Bonus (\$)	Non-Equity Incentive Plan Compensation (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(1)</sup>	All Other Compensation (\$) <sup>(2)</sup>	Total (\$)
Timothy E. Conver President, Chairman, and Chief Executive Officer	2010	471,095	—	270,569	—	—	15,986	757,650
	2009	450,008	—	324,779	—	—	19,043	793,830
	2008	405,774	—	501,804	—	740,184	18,333	1,666,095
Jikun Kim <sup>(3)</sup> Senior Vice President and Chief Financial Officer	2010	198,530	60,000	29,740	417,940	—	312	706,522
Tom Herring <sup>(4)</sup> Senior Vice President and General Manager, Unmanned Aircraft Systems	2010	207,470	—	39,758	246,700	303,556	478	797,962
	2009	80,342	—	51,367	123,520	—	—	255,229
Michael Bissonette <sup>(5)</sup> Senior Vice President and General Manager, Efficient Energy Systems	2010	259,638	—	98,471	—	—	13,411	371,520
	2009	220,225	—	192,944	—	392,736	8,464	814,369
	2008	137,972	—	94,335	—	109,161	—	341,468
Cathleen Cline Senior Vice President Administration	2010	225,494	—	64,135	—	—	14,026	303,655
	2009	197,134	—	81,509	—	51,541	12,596	342,780
	2008	190,702	—	107,549	—	123,670	13,471	435,392
Stephen C. Wright <sup>(6)</sup> Former Senior Vice President and Chief Financial Officer	2010	291,813	—	—	—	—	14,403	306,216
	2009	251,915	—	199,267	—	154,624	14,544	620,350
	2008	240,805	—	271,703	—	329,786	13,628	855,922
John F. Grabowsky <sup>(7)</sup> Former Executive Vice President and General Manager, Unmanned Aircraft Systems	2010	300,019	—	195,604	—	—	15,455	511,078
	2009	296,541	—	223,600	46,760	140,782	15,346	723,029
	2008	262,885	—	330,187	—	—	14,918	607,990

(1) The value of the equity awards equals their grant date fair value as computed in accordance with FASB ASC Topic 718. Note that reporting of compensation awarded during the year related to stock and option awards is now based on the aggregate grant date fair value of the awards under FASB ASC Topic 718 (formerly FAS 123(R)). For the purpose of this table, we have recomputed amounts included in the Company's Summary Compensation Table for prior years based on the new standard. For additional information regarding the valuation assumptions used in the calculation of these amounts, refer to Note 8 to the financial statements included in our annual report on Form 10-K for our 2010 fiscal year, as filed with the SEC.

- (2) These amounts represent the aggregate incremental cost to the company with respect to the perquisites and other personal benefits provided to the Named Executive Officer in fiscal years 2008 through 2010. The amounts include (a) our matching contributions to the 401(k) Plan, (b) life insurance premiums and (c) automobile allowances, as follows:

Name	Year	401(k)	Life	Auto	Total
Mr. Conver	2010	\$ 10,331	\$ 3,810	\$ 1,845	\$ 15,986
Mr. Kim	2010	—	\$ 312	—	\$ 312
Mr. Herring	2010	—	\$ 478	—	\$ 478
Mr. Bissonette	2010	\$ 12,933	\$ 478	—	\$ 13,411
Ms. Cline	2010	\$ 13,336	\$ 690	—	\$ 14,026
Mr. Wright	2010	\$ 13,713	\$ 690	—	\$ 14,403
Mr. Grabowsky	2010	\$ 13,475	\$ 1,980	—	\$ 15,455

- (3) Mr. Kim joined us in June 2009, at which time he received a one-time signing bonus of \$60,000. Mr. Kim became our Interim Chief Financial Officer in March 2010.
- (4) Mr. Herring joined us in November 2008. Mr. Herring became the Senior Vice President and General Manager of our Unmanned Aircraft Systems business in March 2010.
- (5) Mr. Bissonette joined us in September 2007. Mr. Bissonette became the Vice President and General Manager of our Energy Technology Center in February 2008. The Energy Technology Center was consolidated with our PosiCharge business into the newly-named "Efficient Energy Systems" effective May 1, 2008. Mr. Bissonette became Senior Vice President of the consolidated Efficient Energy Systems at that time.
- (6) Mr. Wright resigned as our Senior Vice President and Chief Financial Officer effective March 31, 2010.
- (7) Mr. Grabowsky resigned as Executive Vice President and General Manager of our Unmanned Aircraft Systems business effective March 8, 2010.

## Grants of Plan-Based Awards

The following table provides information with respect to equity and performance bonus awards granted to the Named Executive Officers during fiscal year 2010.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#) <sup>(1)</sup>	Exercise or Base Price of Stock and Option Awards (\$/sh)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(2)</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)				
<i>Equity Awards</i>								
Jikun Kim	6/1/2009	—	—	—	6,000	—	28.54	171,240
	3/11/2010	—	—	—	10,000	—	24.67	246,700
Tom Herring	3/11/2010	—	—	—	—	50,000	23.06	303,556
	3/11/2010	—	—	—	10,000	—	24.67	246,700
<i>Executive Performance Bonus Plan<sup>(3)</sup></i>								
Timothy E. Conver	6/19/2009	236,250	472,500	1,427,000	—	—	—	—
Jikun Kim	6/1/2009	32,500	65,000	130,000	—	—	—	—
Tom Herring	5/1/2009	30,000	60,000	120,000	—	—	—	—
Michael Bissonette	4/29/2009	90,500	181,000	780,000	—	—	—	—
Cathleen S. Cline	4/29/2009	56,000	112,000	690,000	—	—	—	—
Steven W. Wright	4/29/2009	116,000	232,000	870,000	—	—	—	—
John F. Grabowsky	4/29/2009	150,000	300,000	900,000	—	—	—	—

(1) The Compensation Committee awarded the stock options and stock awards for executive officers in June 2009 and March 2010. All stock option and stock awards vest in five equal annual installments beginning on the first anniversary of the date of grant.

(2) Represents the grant date fair value of the stock awards as determined under FASB ASC Topic 718. For additional information regarding the valuation assumptions used in the calculation of these amounts, refer to Note 8 to the financial statements included in our annual report on Form 10-K for our 2010 fiscal year, as filed with the SEC.

(3) *Estimated Future Payouts Under Non-Equity Incentive Plan Awards.* The Compensation Committee established maximum cash bonus and target bonus levels for the Named Executive Officers under our Executive Performance Bonus Plan in April 2010 for all Named Executive Officers except Mr. Conver, whose cash bonus and target amounts were approved by the board on June 18, 2009. The determination of the bonuses payable to the Named Executive Officer for fiscal 2010 is described in the *Compensation Discussion and Analysis* section above. These columns show the range of bonus amounts for each Named Executive Officer from the threshold to the maximum based on the maximum permissible bonus amount set at the beginning of the fiscal year. The actual amounts awarded for fiscal year 2010 are set forth in the Summary Compensation Table in the Non-Equity Incentive Plan Compensation column.

## Outstanding Equity Awards at Fiscal Year-End 2010

The following table provides information with respect to stock option and restricted stock awards held by each of the Named Executive Officers as of April 30, 2010.

Name	Option Awards <sup>(1)</sup>					Stock Awards	
	Grant Date	Number of Securities Underlying Unexercised Options		Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have not Vested (#)	Market Value of Shares or Units of Stock that Have not Vested (\$) <sup>(3)</sup>
		Exercisable (#)	Unexercisable (#)				
Timothy E. Conver	6/22/07	39,324	58,986	22.38	6/22/17	—	—
	10/15/02	98,530	—	0.70	10/15/12	—	—
Jikun Kim	6/1/09	—	—	—	—	6,000 <sup>(2)</sup>	157,080
	3/11/10	—	—	—	—	10,000 <sup>(4)</sup>	261,800
Tom Herring	3/11/10	—	50,000	23.06	3/11/20	—	—
	3/11/10	—	—	—	—	10,000 <sup>(4)</sup>	261,800
	12/1/08	—	—	—	—	3,200 <sup>(5)</sup>	83,776
Cathleen S. Cline	3/31/09	2,000	8,000	21.28	3/31/19	—	—
	6/13/07	6,000	9,000	20.75	6/13/17	—	—
	7/18/00	21,113	—	0.59	7/18/20	—	—
	6/23/98	35,189	—	0.59	6/23/18	—	—
	3/21/94	70,378	—	0.37	3/21/14	—	—
	11/30/92	35,189	—	0.37	8/31/11	—	—
Michael Bissonette	3/31/09	8,000	32,000	21.28	3/31/19	—	—
	7/30/08	4,000	16,000	32.19	7/30/18	—	—
	2/28/08	2,800	4,200	22.15	2/28/18	—	—
	9/4/07	4,000	6,000	19.76	9/4/17	—	—
Stephen C. Wright	3/31/09	6,000	—	21.28	7/30/10	—	—
John F. Grabowsky	4/15/09	12,500	12,500	23.25	4/15/19	—	—
	10/20/05	—	21,114	2.13	10/20/15	—	—
	4/15/09	—	—	—	—	2,000 <sup>(6)</sup>	52,360

(1) All stock option awards vest in five equal annual installments beginning on the first anniversary of the date of grant, except for the stock option award to Mr. Grabowsky on April 15, 2009, which vests with respect to 50% of the underlying shares on April 15, 2010, 25% on April 15, 2011, and 25% on April 15, 2012.

(2) The restricted stock award vests in five equal annual installments beginning July 10, 2010.

(3) Represents market value of our common stock on April 30, 2010.

(4) The restricted stock award vests in five equal annual installments beginning March 15, 2011.

(5) The restricted stock award vests in five equal annual installments beginning December 15, 2009.

(6) The restricted stock award vests on June 30, 2010.

**Option Exercises in Fiscal Year 2010**

The following table provides information on stock option exercises for each of the Named Executive Officers during fiscal year 2010.

<u>Name</u>	<u>Option Awards</u>	
	<u>Number of Shares Acquired on Exercise (#)</u>	<u>Value Realized on Exercise (\$)</u>
Stephen C. Wright	15,038	284,854
John F. Grabowsky	101,344	3,264,515

**Stock Vested in Fiscal Year 2010**

The following table provides information on stock award vesting for each of the Named Executive Officers during fiscal year 2010.

<u>Name</u>	<u>Stock Awards</u>	
	<u>Number of Shares Acquired on Vesting (#)</u>	<u>Value Realized on Vesting (\$)</u>
Tom Herring	800	23,872

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

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The following table presents information regarding the beneficial ownership of our common stock as of August 1, 2010 by:

- our Named Executive Officers;
- 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 1, 2010 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 21,770,913 shares of our common stock outstanding on August 1, 2010. The address of each beneficial owner listed on the table is c/o AeroVironment, Inc., 181 W. Huntington Drive, Suite 202, Monrovia, CA 91016.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Outstanding
<b>5% Stockholders</b>		
FMR LLC <sup>(1)</sup>	1,216,451	5.59%
<b>Executive Officers and Directors:</b>		
Timothy E. Conver <sup>(2)</sup>	4,362,603	19.89%
Jikun Kim	16,000	*
Tom Herring	13,698	*
Michael Bissonette <sup>(3)</sup>	25,819	*
Cathleen Cline <sup>(4)</sup>	173,869	*
Stephen C. Wright <sup>(5)</sup>	5,457	*
John F. Grabowsky <sup>(6)</sup>	22,650	*
Joseph F. Alibrandi <sup>(7)</sup>	37,259	*
Kenneth R. Baker <sup>(8)</sup>	1,800	*
Arnold L. Fishman <sup>(9)</sup>	252,607	1.16%
Murray Gell-Mann <sup>(10)</sup>	8,230	*
Charles R. Holland <sup>(11)</sup>	54,049	*
<b>Directors and Executive Officers as a Group (12 persons)</b>	<b>4,974,041</b>	<b>22.39%</b>

\* Less than 1%.

(1) Based on a Schedule 13G/A filed by FMR LLC on July 9, 2010 with the SEC reporting beneficial ownership as of December 31, 2009. Includes 1,216,451 shares of our common stock as to which Edward C. Johnson 3d and FMR LLC (FMR), through its control of Fidelity Management and Research Company (Fidelity), a wholly-owned subsidiary of FMR, and Fidelity Funds each have sole dispositive power.



- (2) Includes 3,436,192 shares held by the Conver Family Trust, of which Mr. Conver is one of the trustees; 768,795 shares held by the Whiting Family Limited Partnership, of which Mr. Conver is a limited partner, and 157,516 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 1, 2010. Mr. Conver disclaims beneficial ownership of any securities in which he does not have a pecuniary interest.
- (3) Includes 24,800 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 1, 2010, and 1,019 shares of common stock held by Mr. Bissonette and his wife, Laura J. Bissonette, as joint tenants.
- (4) Includes 172,869 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 1, 2010.
- (5) Based on Mr. Wright's Form 4 filed on July 1, 2009, which was his most recent available public information as of his resignation as Senior Vice President and Chief Financial Officer on March 31, 2010.
- (6) Includes 12,500 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 1, 2010, and 150 shares of common stock held by Mr. Grabowsky's son, Matthew Grabowsky.
- (7) Includes 2,600 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 1, 2010, and 34,659 shares held by the Alibrandi Family Trust Dated November 14, 1972, of which Mr. Alibrandi is the trustee.
- (8) Includes 1,800 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 1, 2010.
- (9) Includes 226,617 shares of our common stock held by the Arnold Fishman Revocable Trust, Arnold Fishman Trustee; 19,490 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 1, 2010, and 6,500 shares held by Mr. Fishman's wife, Judy Fishman.
- (10) Includes 5,415 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 1, 2010.
- (11) Includes 49,049 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 1, 2010.

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## CERTAIN TRANSACTIONS AND RELATIONSHIPS

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### Certain Transactions and Relationships

*Review and Approval of Related Party Transactions.* All transactions and relationships in which the company and our directors 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 and the transactions described below, since May 1, 2009, 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, executive officer, holder of five percent or more of any class of our capital stock or any member of their immediate family had or will have a direct or indirect material interest.

On November 1, 2009, we entered into a consulting agreement with one of our directors, General (Retired) Charles R. Holland. Pursuant to this agreement, 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, 2010, we paid to Mr. Holland approximately \$222,220 in consulting fees pursuant to the terms of this agreement.

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## AUDIT RELATED MATTERS

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### Audit Committee Report

The Audit Committee of our board of directors serves as the representative of the board for general oversight of our financial accounting and reporting, systems of internal control, audit process, and monitoring compliance with laws and regulations and standards of business conduct. The Audit

Committee is made up solely of independent directors, as defined in the applicable SEC and Nasdaq rules, and operates under a written charter adopted by the board. The composition of the Audit Committee, the attributes of its members and its responsibilities, as reflected in its charter, are intended to be in accordance with applicable requirements for corporate audit committees. Management has responsibility for preparing our financial statements, as well as for our financial reporting process. Ernst & Young LLP, acting as our independent registered public accounting firm, is responsible for expressing an opinion on the conformity of our audited financial statements with generally accepted accounting principles in the United States. The Audit Committee periodically meets with Ernst & Young LLP, with and without management present, to discuss the results of their examinations, their evaluations of our internal controls and the overall quality of our financial reporting. The audit committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management and the independent registered public accounting firm.

In this context, the Audit Committee hereby reports as follows:

- (1) The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended April 30, 2010 with management.
- (2) The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed with the independent registered public accounting firm by PCAOB Rule 3200T regarding "Communication with Audit Committees."
- (3) The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and has discussed with such firm its independence from the company.

Based on the review and discussions referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the board of directors, and the board has approved, that the audited financial statements be included in our annual report on Form 10-K for the fiscal year ended April 30, 2010, for filing with the SEC.

*Audit Committee*  
Joseph F. Alibrandi  
Kenneth R. Baker  
Arnold L. Fishman

#### **Fees Paid to Independent Auditors**

We engaged Ernst & Young LLP as our independent registered public accounting firm for the fiscal years ended April 30, 2008, 2009 and 2010, and to perform procedures related to the financial statements included in our quarterly reports on Form 10-Q. Our Audit Committee approved the engagement of Ernst & Young LLP. All audit work for the fiscal year ended April 30, 2010 was performed by the full time employees of Ernst & Young LLP.

**Audit Fees.** Ernst & Young LLP billed us an aggregate of \$618,000 in fees for audit services associated with the audit of our annual financial statements for the fiscal year ended April 30, 2010. Ernst & Young LLP billed us an aggregate of \$700,500 in fees for audit services associated with the audit of our annual financial statements for the fiscal year ended April 30, 2009.

**Audit-Related Fees.** No audit-related fees were incurred for the years ended April 30, 2010 and 2009.

**Tax Fees.** Ernst & Young LLP billed us an aggregate of \$365,000 for tax services during the fiscal year ended April 30, 2010 and \$343,333 for tax services during the fiscal year ended April 30, 2009. Tax services included tax advice, planning and compliance principally in connection with the preparation of our tax returns and assistance with governmental tax audits.

**All Other Fees.** No other fees were incurred during the fiscal years ended April 30, 2010 and 2009 for services provided by Ernst & Young LLP except as described above.

#### **Pre-Approval Policy of the Audit Committee**

Our Audit Committee has established a policy that generally requires that all audit and permissible non-audit services provided by our independent registered public accounting firm be pre-approved by the Audit Committee, or a designated Audit Committee member. These services may include audit services, audit-related services, tax services and other services. All permissible non-audit services provided by our independent registered public accounting firm have been pre-approved by the Audit Committee or a designated Audit Committee member. Our Audit Committee has considered whether the provision of non-audit services is compatible with maintaining the accountants' independence and determined that it is consistent with such independence.

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### **STOCKHOLDER PROPOSALS**

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**Stockholder Proposals for Inclusion in Next Year's Proxy Statement.** Stockholders may submit proposals on matters appropriate for stockholder action at meetings of our stockholders in accordance with Rule 14a-8 promulgated under the Exchange Act. To be eligible for inclusion in the proxy statement relating to our 2011 annual meeting of stockholders, proposals of stockholders must be received at our principal executive offices no later than April 22, 2011 (120 calendar days prior to the anniversary of the date of the proxy statement for our 2010 annual meeting) and must otherwise satisfy the conditions established by the SEC for stockholder proposals to be included in the proxy statement for that meeting.

**Stockholder Proposals for Presentation at Next Year's Annual Meeting.** If a stockholder wishes to present a proposal, including a director nomination, at our 2011 annual meeting of stockholders and the proposal is not intended to be included in our proxy statement relating to that meeting, the stockholder must give advance notice in writing to our Corporate Secretary prior to the deadline for such meeting determined in accordance with our bylaws. Our bylaws require notice with respect to the 2011 annual meeting between June 1, 2011 (120 calendar days prior to the anniversary of our 2010 annual meeting) and July 1, 2011 (90 calendar days prior to the anniversary of our 2010 annual meeting). If a stockholder fails to give timely notice of a proposal, the stockholder will not be permitted to present the proposal to the stockholders for a vote at our 2011 annual meeting. In addition, our bylaws include other requirements for nomination of candidates for director and proposals of other business.

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### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

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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, 2010, all of our executive officers, directors and greater-than-ten percent stockholders complied with all Section 16(a) filing requirements, except for the following: one Statement of Changes in Beneficial Ownership on Form 4, reporting a purchase of common stock, was filed late by Michael Bissonette.

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### EQUITY COMPENSATION PLAN INFORMATION

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The following table provides information as of April 30, 2010 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 <sup>(1)</sup>	(b) Weighted-average exercise price of outstanding options, warrants and rights <sup>(1)</sup>	(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 <sup>(1)</sup>	1,285,311	\$ 10.08	2,929,247
Equity compensation plans not approved by security holders	—	\$ —	—
<b>Total</b>	<b>1,285,311</b>	<b>\$ 10.08</b>	<b>2,929,247</b>

- (1) Consists of the AeroVironment, Inc. Nonqualified Stock Option Plan, the AeroVironment, Inc. Directors' Nonqualified Stock Option Plan, the AeroVironment, Inc. 2002 Equity Incentive Plan, and the AeroVironment, Inc. 2006 Equity Incentive Plan. No additional awards may be granted under the AeroVironment, Inc. Nonqualified Stock Option Plan, the AeroVironment, Inc. Directors' Nonqualified Stock Option Plan or the AeroVironment, Inc. 2002 Equity Incentive Plan.

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### STOCKHOLDER COMMUNICATIONS

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You may communicate with the Chairs of our Audit Committee, Nominating and Corporate Governance Committee or Compensation Committee, or with our independent directors as a group, by writing to any such person or group, care of the Corporate Secretary of AeroVironment, Inc., at our principal executive office, 181 W. Huntington Dr., Suite 202, Monrovia, California 91016.

Communications are distributed to the board of directors, or to any individual director, depending on the facts and circumstances described in the communication. In that regard, 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.

## Householding of Annual Meeting Materials

Some brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of our proxy statement and annual report may have been sent to multiple stockholders in a stockholder's household. Additionally, you may have notified us that multiple stockholders share an address and thus you requested to receive only one copy of our proxy statement and annual report. We will promptly deliver a separate copy of either document to any stockholder who contacts our investor relations department at (626) 357-9983 x 245 or by mail addressed to Investor Relations, AeroVironment, Inc. 181 W. Huntington Drive, Suite 202, Monrovia, CA 91016, requesting such copies. If a stockholder is receiving multiple copies of our proxy statement and annual report at the stockholder's household and would like to receive a single copy of the proxy statement and annual report for a stockholder's household in the future, stockholders should contact their broker, or other nominee record holder to request mailing of a single copy of the proxy statement and annual report. Stockholders receiving multiple copies of these documents directly from us, and who would like to receive single copies in the future, should contact our investor relations department to make such a request.

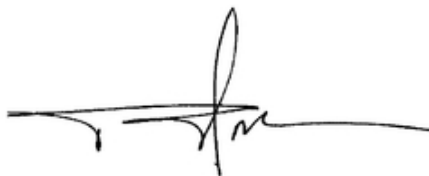
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### ANNUAL REPORT ON FORM 10-K

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OUR ANNUAL REPORT ON FORM 10-K, WHICH HAS BEEN FILED WITH THE SEC FOR THE FISCAL YEAR ENDED APRIL 30, 2010, WILL BE MADE AVAILABLE TO STOCKHOLDERS WITHOUT CHARGE UPON WRITTEN REQUEST TO AEROVIRONMENT, INC., ATTN: CORPORATE SECRETARY, 181 W. HUNTINGTON DRIVE, SUITE 202, MONROVIA, CA 91016.

ON BEHALF OF THE BOARD OF DIRECTORS

A handwritten signature in black ink, appearing to read 'Timothy E. Conver', with a stylized flourish extending to the right.

*Timothy E. Conver,  
Chairman, President and Chief Executive Officer*

Monrovia, California  
August 20, 2010

ANNUAL MEETING OF STOCKHOLDERS OF  
**AEROVIRONMENT, INC.**

September 29, 2010

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:**

The Notice of Meeting, Proxy Statement, Proxy Card  
are available at <http://investor.avinc.com>

Please sign, date and mail  
your proxy card in the  
envelope provided as soon  
as possible.

↓ Please detach along perforated line and mail in the envelope provided. ↓

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A VOTE FOR ALL PROPOSALS IS RECOMMENDED BY THE BOARD OF DIRECTORS:  
PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE

**Proposal 1. To elect the board of directors' three nominees as directors:**

FOR ALL NOMINEES

WITHHOLD AUTHORITY  
FOR ALL NOMINEES

FOR ALL EXCEPT  
(See instructions below)

**NOMINEES:**

- Kenneth R. Baker  
 Murray Gell-Mann  
 Charles R. Holland

**INSTRUCTION:** To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT"  
and fill in the circle next to each nominee you wish to withhold, as shown here: ●

To change the address on your account, please check the box at right and  
indicate your new address in the address space above. Please note that  
changes to the registered name(s) on the account may not be submitted via  
this method.

Signature of Stockholder

Date

Signature of Stockholder

Date

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

**Proposal 2. To ratify the selection of Ernst & Young LLP as the  
Company's independent registered public  
accounting firm:**

FOR AGAINST ABSTAIN

The undersigned hereby revokes any other proxy to vote at the annual meeting, and hereby ratifies and confirms all that said attorneys and proxies, and each of them, may lawfully do by virtue hereof. With respect to matters not known at the time of the solicitation hereof, said proxies are authorized to vote in accordance with their best judgment.

**THIS PROXY WILL BE VOTED IN ACCORDANCE WITH THE INSTRUCTIONS SET FORTH ABOVE OR, TO THE EXTENT NO CONTRARY DIRECTION IS INDICATED, WILL BE TREATED AS A GRANT OF AUTHORITY TO VOTE FOR ALL PROPOSALS. IF ANY OTHER BUSINESS IS PRESENTED AT THE ANNUAL MEETING, THIS PROXY CONFERS AUTHORITY TO AND SHALL BE VOTED IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE PROXIES.**

The undersigned acknowledges receipt of a copy of the notice of annual meeting and accompanying proxy statement dated August 20, 2010 relating to the annual meeting.

MARK "X" HERE IF YOU PLAN TO ATTEND THE MEETING.



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**AEROVIRONMENT, INC.**  
**PROXY FOR ANNUAL MEETING OF STOCKHOLDERS**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned, a stockholder of AeroVironment, Inc., a Delaware corporation (the "Company"), hereby nominates, constitutes and appoints Timothy E. Conner and Jikun Kim, or either one of them, as proxy of the undersigned, each with full power of substitution, to attend, vote and act for the undersigned at the annual meeting of stockholders of the Company, to be held on September 29, 2010, and any postponements or adjournments thereof, and in connection therewith, to vote and represent all of the shares of the Company which the undersigned would be entitled to vote with the same effect as if the undersigned were present, as follows:

**(Continued and to be signed on the reverse side)**



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QuickLinks

[THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE ELECTION OF THE NOMINEES LISTED ABOVE.](#)  
[THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF SELECTION OF ERNST & YOUNG LLP AS OUR](#)  
[INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.](#)

[Percentage of Achievement of Strategic Goals](#)