

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

SCHEDULE 13D
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO § 240.13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO
§ 240.13d-2(a)

(Amendment No. 1)¹

AeroVironment, Inc.
(Name of Issuer)

Common Stock, \$0.0001 par value per share
(Title of Class of Securities)

008073108
(CUSIP Number)

GLENN W. WELLING
ENGAGED CAPITAL, LLC
610 Newport Center Drive, Suite 250
Newport Beach, California 92660
(949) 734-7900

STEVE WOLOSKY, ESQ.
OLSHAN FROME WOLOSKY LLP
Park Avenue Tower
65 East 55th Street
New York, New York 10022
(212) 451-2300
(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

August 27, 2013
(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box .

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See § 240.13d-7 for other parties to whom copies are to be sent.

¹ The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the *Notes*).

| | | |
|--|--|---|
| 1 | NAME OF REPORTING PERSON Engaged Capital Master Feeder I, LP | |
| 2 | CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/> | |
| 3 | SEC USE ONLY | |
| 4 | SOURCE OF FUNDS WC | |
| 5 | CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e) | |
| 6 | CITIZENSHIP OR PLACE OF ORGANIZATION CAYMAN ISLANDS | |
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7 | SOLE VOTING POWER 1,043,805 |
| | 8 | SHARED VOTING POWER - 0 - |
| | 9 | SOLE DISPOSITIVE POWER 1,043,805 |
| | 10 | SHARED DISPOSITIVE POWER - 0 - |
| 11 | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,043,805 | |
| 12 | CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/> | |
| 13 | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 4.6% | |
| 14 | TYPE OF REPORTING PERSON PN | |

| | | |
|--|--|---------------------------------------|
| 1 | NAME OF REPORTING PERSON Engaged Capital Master Feeder II, LP | |
| 2 | CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/> | |
| 3 | SEC USE ONLY | |
| 4 | SOURCE OF FUNDS WC | |
| 5 | CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e) | |
| 6 | CITIZENSHIP OR PLACE OF ORGANIZATION CAYMAN ISLANDS | |
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7 | SOLE VOTING POWER 109,296 |
| | 8 | SHARED VOTING POWER - 0 - |
| | 9 | SOLE DISPOSITIVE POWER 109,296 |
| | 10 | SHARED DISPOSITIVE POWER - 0 - |
| 11 | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 109,296 | |
| 12 | CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/> | |
| 13 | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) Less than 1% | |
| 14 | TYPE OF REPORTING PERSON PN | |

| | | |
|--|--|---|
| 1 | NAME OF REPORTING PERSON Engaged Capital I, LP | |
| 2 | CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/> | |
| 3 | SEC USE ONLY | |
| 4 | SOURCE OF FUNDS OO | |
| 5 | CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e) | |
| 6 | CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE | |
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7 | SOLE VOTING POWER 1,043,805 |
| | 8 | SHARED VOTING POWER - 0 - |
| | 9 | SOLE DISPOSITIVE POWER 1,043,805 |
| | 10 | SHARED DISPOSITIVE POWER - 0 - |
| 11 | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,043,805 | |
| 12 | CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/> | |
| 13 | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 4.6% | |
| 14 | TYPE OF REPORTING PERSON PN | |

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|--|--|-------------------------------------|
| 1 | NAME OF REPORTING PERSON Engaged Capital I Offshore, Ltd. | |
| 2 | CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/> | |
| 3 | SEC USE ONLY | |
| 4 | SOURCE OF FUNDS OO | |
| 5 | CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e) | |
| 6 | CITIZENSHIP OR PLACE OF ORGANIZATION CAYMAN ISLANDS | |
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7 | SOLE VOTING POWER 1,043,805 |
| | 8 | SHARED VOTING POWER - 0 - |
| | 9 | SOLE DISPOSITIVE POWER 1,043,805 |
| | 10 | SHARED DISPOSITIVE POWER - 0 - |
| 11 | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,043,805 | |
| 12 | CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/> | |
| 13 | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 4.6% | |
| 14 | TYPE OF REPORTING PERSON CO | |

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|--|--|---------------------------------------|
| 1 | NAME OF REPORTING PERSON Engaged Capital II, LP | |
| 2 | CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/> | |
| 3 | SEC USE ONLY | |
| 4 | SOURCE OF FUNDS OO | |
| 5 | CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e) | |
| 6 | CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE | |
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7 | SOLE VOTING POWER 109,296 |
| | 8 | SHARED VOTING POWER - 0 - |
| | 9 | SOLE DISPOSITIVE POWER 109,296 |
| | 10 | SHARED DISPOSITIVE POWER - 0 - |
| 11 | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 109,296 | |
| 12 | CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/> | |
| 13 | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) Less than 1% | |
| 14 | TYPE OF REPORTING PERSON PN | |

| | | |
|--|--|---|
| 1 | NAME OF REPORTING PERSON Engaged Capital, LLC | |
| 2 | CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/> | |
| 3 | SEC USE ONLY | |
| 4 | SOURCE OF FUNDS OO | |
| 5 | CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e) | |
| 6 | CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE | |
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7 | SOLE VOTING POWER 1,153,101 |
| | 8 | SHARED VOTING POWER - 0 - |
| | 9 | SOLE DISPOSITIVE POWER 1,153,101 |
| | 10 | SHARED DISPOSITIVE POWER - 0 - |
| 11 | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,153,101 | |
| 12 | CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/> | |
| 13 | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 5.1% | |
| 14 | TYPE OF REPORTING PERSON OO | |

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|--|--|---|
| 1 | NAME OF REPORTING PERSON Engaged Capital Holdings, LLC | |
| 2 | CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/> | |
| 3 | SEC USE ONLY | |
| 4 | SOURCE OF FUNDS OO | |
| 5 | CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e) | |
| 6 | CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE | |
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7 | SOLE VOTING POWER 1,153,101 |
| | 8 | SHARED VOTING POWER - 0 - |
| | 9 | SOLE DISPOSITIVE POWER 1,153,101 |
| | 10 | SHARED DISPOSITIVE POWER - 0 - |
| 11 | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,153,101 | |
| 12 | CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/> | |
| 13 | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 5.1% | |
| 14 | TYPE OF REPORTING PERSON OO | |

| | | |
|--|--|-------------------------------------|
| 1 | NAME OF REPORTING PERSON Glenn W. Welling | |
| 2 | CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/> | |
| 3 | SEC USE ONLY | |
| 4 | SOURCE OF FUNDS OO | |
| 5 | CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e) | |
| 6 | CITIZENSHIP OR PLACE OF ORGANIZATION USA | |
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7 | SOLE VOTING POWER 1,153,101 |
| | 8 | SHARED VOTING POWER - 0 - |
| | 9 | SOLE DISPOSITIVE POWER 1,153,101 |
| | 10 | SHARED DISPOSITIVE POWER - 0 - |
| 11 | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,153,101 | |
| 12 | CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/> | |
| 13 | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 5.1% | |
| 14 | TYPE OF REPORTING PERSON IN | |

The following constitutes Amendment No. 1 to the Schedule 13D filed by the undersigned (the "Amendment No. 1"). This Amendment No. 1 amends the Schedule 13D as specifically set forth herein.

Item 4. Purpose of Transaction.

Item 4 is hereby amended to add the following:

On August 27, 2013, Engaged Capital delivered a letter (the "August 27 Letter") to the Board of Directors of the Issuer (the "Board"). In the August 27 Letter, Engaged Capital stated that the Issuer's recently announced reactive Board changes, together with the Board's failure to engage constructively with a significant shareholder, demonstrate the Board's undying commitment to the unacceptable status quo. Engaged Capital stated that such actions eschew the interests of shareholders in favor of the Board's misguided self-interests. Engaged Capital further stated that unfortunately it has become its considered position that the Board and management team have each failed to fulfill their overriding responsibility to create value for shareholders, as exemplified by the Issuer's abysmal one-, three-, and five-year returns of (4%), (1%), and (32%), respectively, as well as a share price decline of 5% since the close of trading on the day of the Issuer's IPO more than six years ago. Engaged Capital expressed that such long-term underperformance is alarming, especially from a company that is the dominant participant in a high-return, fast-growing industry. Engaged Capital further expressed its belief that the Issuer's strong competitive position, extensive intellectual property, and sizable growth opportunities have the potential to create significant value and that Engaged Capital finds it unacceptable that the value ascribed to these attributes goes unrealized.

In the August 27 Letter, Engaged Capital expressed its surprise and disappointment that the Issuer chose to publicly and preemptively announce Board changes while the parties were in the midst of trying to privately reach a mutually agreeable outcome that would avoid a potential election contest. Engaged Capital believes the Board's nomination of two new directors, Charles Thomas Burbage and Edward R. Muller, both of whom Engaged Capital believes have problematic ties to management and the Board, is a reactionary, thinly-veiled attempt by the Board to appear willing to embrace change and independent viewpoints. Engaged Capital further pointed out in the August 27 Letter that the Issuer's third nominee this year, Charles R. Holland, is, by the Board's own admission, not independent given the sizable consulting fees he receives from the Issuer. Engaged Capital stated that after the series of events that have transpired over the last few weeks, the Board has proven it is not interested in finding a productive solution to the Issuer's longstanding issues and remains close-minded to the introduction of fresh perspectives through independent representation in the boardroom.

Engaged Capital's August 27 Letter also set forth the sequence of events over the past few months that clearly illustrate the Board's unwillingness to engage meaningfully with one of its largest shareholders despite every attempt by Engaged Capital to be reasonable and constructive. In a phone call with Chairman and CEO Timothy E. Conver on June 30, 2013, and in a subsequent letter to the Board, dated July 3, 2013, Engaged Capital provided notice of its nomination of one candidate for election to the Issuer's Board at the 2013 annual meeting of shareholders (the "2013 Annual Meeting"). Engaged Capital stated in the August 27 Letter that it made a conscious decision to nominate only one candidate, rather than two or three, in order to avoid distraction and confrontation. Additionally, in a cover letter to the Board, dated July 3, 2013, Engaged Capital stated its belief that an independent shareholder with expertise in capital allocation, investor communications, and capital market valuation is needed in the Issuer's boardroom. Engaged Capital further stated in the cover letter that it is appreciative of the open dialogue it has enjoyed with management over the last six months and looks forward to working together with management and the Board to improve the composition of the Board for the benefit of all shareholders. The full text of the July 3, 2013 letter is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

As described in the August 27 Letter, more than a month after providing notice of its nomination to the Issuer, Engaged Capital had yet to receive any direct communication from the Issuer's Nominating and Corporate Governance Committee (the "Committee"). Inaction on the part of the Committee made it necessary for Engaged Capital to send a letter on August 7, 2013 to Dr. Murray Gell-Mann, Chairman of the Committee, questioning why, after over a month's time, the Committee had made no attempt to engage in a dialogue. The full text of the August 7, 2013 letter is attached hereto as Exhibit 99.3 and is incorporated herein by reference.

On August 11, 2013, the Committee and the CEO, who is not a member of the Committee, finally met with Engaged Capital's director candidate. Notably absent, however, was Dr. Gell-Mann. Engaged Capital sent a follow-up letter to Dr. Gell-Mann on August 12, 2013, to express thanks to the Committee members and Mr. Conver for meeting with Engaged Capital's director nominee and to share a few important points with the Committee emanating from the discussion during the meeting. The full text of the August 12, 2013 follow-up letter to Dr. Gell-Mann is attached hereto as Exhibit 99.4 and is incorporated herein by reference.

Engaged Capital also demonstrated in its August 27 Letter the ways in which the current Board is out of touch with its shareholders' best interests. For example, Engaged Capital expressed its shock at hearing Committee member Joseph F. Alibrandi state during the aforementioned August 11, 2013 meeting that Engaged Capital's criticism of the Issuer's failure to create any shareholder value since its IPO was unwarranted, as he considered it too short a time period to properly evaluate the Issuer's performance. Mr. Alibrandi felt that it was necessary to also consider the Issuer's long history as a private company to appropriately measure the Issuer's value creation. Engaged Capital stated in the August 27 Letter that it is not surprising that the Board has displayed no sense of urgency to create value for shareholders, since the Board believes it is appropriate to measure performance over multi-decade periods during which the Issuer had no public shareholders. Engaged Capital stated it was again stunned during a phone call on August 16, 2013 with Messrs. Alibrandi and Conner, when Mr. Alibrandi responded to the fact that the Issuer had not created any shareholder value over either a one-, three-, or five-year period by stating that this information was not meaningful as it could be said about most public companies. This is simply incorrect, according to the August 27 Letter, as over the last one-, three-, and five-year periods, the Issuer has underperformed the S&P 600 Aerospace & Defense Index by 44%, 79%, and 53%, respectively, and underperformed its peer group by 39%, 59%, and 91%, respectively.

In the August 27 Letter, Engaged Capital further criticized the Board for rejecting Engaged Capital's good-faith efforts to propose workable solutions while offering only hollow reforms and self-serving counterproposals in return. For example, (i) Mr. Alibrandi rejected out-of-hand a proposal that would provide Engaged Capital the option to have its nominee included in the Issuer's 2014 slate in exchange for a standstill so the parties could work together over the next year to address shareholder concerns, (ii) the Issuer refused to declassify the Board starting with the class standing for election at the 2013 Annual Meeting under the pretense of it serving as a necessary defense mechanism, yet paradoxically suggested that the Issuer would declassify the Board beginning in 2014 if Engaged Capital would withdraw its nomination, (iii) the Board offered Engaged Capital the option to review the Issuer's plans under cover of an NDA that would be unduly restrictive, and (iv) the Issuer, through its advisors, offered to create a capital allocation committee, which while a positive step, would in and of itself not sufficiently address Engaged Capital's concerns.

Engaged Capital concluded its August 27 Letter by stating it is resolute in its determination to ensure the Issuer is governed for the benefit of its shareholders. Engaged Capital further stated that its interactions have left it with serious doubt as to whether a single board seat is sufficient to influence critical decisions and unbind the decades-long ties that exist amongst the existing and proposed directors and it intends to exercise its rights on behalf of all shareholders and is committed to take any and all actions necessary in order to unlock shareholder value.

Item 7. Material to be Filed as Exhibits.

- 99.1 Letter to the Board of Directors, dated August 27, 2013.
- 99.2 Letter to the Board of Directors, dated July 3, 2013.
- 99.3 Letter to Dr. Gell-Mann, Chairman of Nominating and Corporate Governance Committee, dated August 7, 2013.
- 99.4 Follow-up Letter to Dr. Gell-Mann, dated August 12, 2013.

SIGNATURES

After reasonable inquiry and to the best of his knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: August 27, 2013

Engaged Capital Master Feeder I, LP

By: Engaged Capital, LLC
General Partner

By: /s/ Glenn W. Welling
Name: Glenn W. Welling
Title: Managing Member and Chief Investment Officer

Engaged Capital Master Feeder II, LP

By: Engaged Capital, LLC
General Partner

By: /s/ Glenn W. Welling
Name: Glenn W. Welling
Title: Managing Member and Chief Investment Officer

Engaged Capital I, LP

By: Engaged Capital, LLC
General Partner

By: /s/ Glenn W. Welling
Name: Glenn W. Welling
Title: Managing Member and Chief Investment Officer

Engaged Capital I Offshore, Ltd.

By: /s/ Glenn W. Welling
Name: Glenn W. Welling
Title: Director

Engaged Capital II, LP

By: Engaged Capital, LLC
General Partner

By: /s/ Glenn W. Welling

Name: Glenn W. Welling

Title: Managing Member and Chief Investment Officer

Engaged Capital, LLC

By: /s/ Glenn W. Welling

Name: Glenn W. Welling

Title: Managing Member and Chief Investment Officer

Engaged Capital Holdings, LLC

By: /s/ Glenn W. Welling

Name: Glenn W. Welling

Title: Sole Member

/s/ Glenn W. Welling

Glenn W. Welling



August 27, 2013

Members of the Board of Directors
AeroVironment, Inc.
181 W. Huntington Drive, Suite 202
Monrovia, CA 91016

Dear Members of the Board,

As you know, Engaged Capital is a significant shareholder of AeroVironment, Inc. ("AVAV" or "the Company") with ownership of approximately 5.1% of the Company's outstanding shares. We have explained in prior conversations that we consider ourselves private equity investors in public equities. We make long-term investments in undervalued companies and seek to work collaboratively and constructively with the board of directors and management to eliminate impediments to value creation and to identify and execute on opportunities to unlock value for the benefit of all shareholders.

The overriding responsibility of the board of directors and management is to create value for shareholders. Unfortunately, it has become our considered position that AVAV's board of directors (the "Board") and management team have each failed to fulfill this basic responsibility and, moreover, have willfully repudiated their fiduciary duty to shareholders. The Company's one-, three-, and five-year returns have been an abysmal (4%), (1%), and (32%), respectively. In fact, since the close of trading on the day of the Company's IPO more than six years ago, the Company's shares have declined by 5%. Such long-term underperformance is alarming, especially from a company that is the dominant participant in a high-return, fast-growing industry. We believe the Company's strong competitive position, extensive intellectual property, and sizable growth opportunities have the potential to create significant value, and we find it unacceptable that the value ascribed to these attributes goes unrealized.

From the outset of this process, we have expressed our sincere desire to work constructively with the current Board to reach a mutually agreeable solution in the best interest of all shareholders. We have been completely transparent and constructive in all of our communications with you to date. We have made it a point to notify management and the Board of any filings, notices, and press releases, including our nomination notice, and have provided you ample opportunity to meet us halfway in finding an actionable solution that gives shareholders a say in the Company's governance and strategy.

In contrast, the Board has demonstrated its undying commitment to the unacceptable status quo and, in doing so, has resorted to defensive, reactionary tactics to avoid shareholder input and real change at AVAV. The recently announced Board changes were made entirely in reaction to our nomination notice and involvement at the Company and eschew the interests of shareholders in favor of the Board's misguided self-interests. Frankly, we are surprised and disappointed that the Company chose to take these actions publicly while we were in the midst of trying to privately reach a mutually agreeable outcome that would avoid a potential election contest. After the series of events that have transpired over the last few weeks, the Board has proven it is not interested in finding a productive solution to the Company's longstanding issues and remains close-minded to the introduction of fresh perspectives through independent representation in the boardroom.

The Board Has Been Unwilling to Communicate Meaningfully with the Shareholders it Claims to Represent

In a phone call with Tim Conner on June 30, 2013, and in a subsequent letter to the Board, dated July 3, 2013, we provided notice of our nomination of one candidate for election to the Company's Board at the 2013 annual meeting of shareholders (the "2013 Annual Meeting"). We made a conscious decision to nominate only one candidate, rather than two or three, in order to avoid distraction and confrontation. However, after the passage of over one month, we had not received any direct communication from the Company's Nominating and Corporate Governance Committee (the "Committee"). Inaction on the part of the Committee made it necessary for us to send a letter questioning why, after over a month's time, the Committee had made no attempt to engage in a dialogue. Not until receipt of our August 7, 2013 letter did the Committee respond by offering to meet with our candidate. On August 11, 2013, the Committee and the CEO (who himself is *not* a member of the Committee) finally met with our candidate. Notably absent, however, was the Committee's chairman.

The Board is Long-Tenured, Entrenched, and Out of Touch With Shareholders

During the August 11, 2013 meeting, we were shocked to hear Committee member Joseph Alibrandi state that our criticism of AVAV's failure to create any shareholder value since its IPO was unwarranted, as he considered it too short a time period to properly evaluate the Company's performance. Mr. Alibrandi felt that it was necessary to also consider AVAV's long history as a private company to appropriately measure the Company's value creation. It is not surprising that the Board has displayed no sense of urgency to create value for shareholders, since the Board believes it is appropriate to measure performance over multi-decade periods during which the Company had no public shareholders. This type of thinking is emblematic of an entrenched Board without a mandatory retirement age or term limits that is entirely out of touch with reality and shareholders' best interests.

We were again stunned during a phone call on August 16, 2013 between Mr. Welling and Messrs. Alibrandi and Conner, when Mr. Alibrandi responded to the fact that AVAV had not created any shareholder value over either a one-, three-, or five-year period by stating that this information was not meaningful as it could be said about most public companies. This is simply incorrect, as over the last one-, three-, and five-year periods, AVAV has underperformed the S&P 600 Aerospace & Defense Index by 44%, 79%, and 53%, respectively, and underperformed its stated peer group by 39%, 59%, and 91%,¹ respectively. Rather, AVAV's stock performance over the past six and a half years reflects a recurring pattern of unfulfilled market expectations. Clearly, Mr. Alibrandi and his fellow directors are out of touch with this harsh reality. In our opinion, this attitude reflects a clear and alarming disregard of the Board's fiduciary duty.

The Board Is Irrationally Insulating Itself from Outside Perspectives on Value Creation

With our nomination of a highly qualified, independent director candidate, we sought to (i) energize the Board with a deeper understanding of how professional investors determine value, (ii) provide a fresh and experienced perspective on capital allocation, and (iii) enhance the clarity and transparency of the Company's public disclosures to shareholders. During the August 16, 2013 call, Messrs. Alibrandi and Conner informed us of the Board's decision not to nominate our candidate as part of the Company's slate at the 2013 Annual Meeting. Messrs. Alibrandi and Conner communicated to Mr. Welling that they felt this was not the "right time" to add these skill sets to the Board and that they would be a distraction from the Board's pursuit of the Company's current plan. The Board's view that disciplined capital allocation and transparent investor communications are qualities only relevant to public companies at certain points in time further reflects the Board's neglect of its fiduciary responsibilities. Given the current Board's poor track record in the areas of capital allocation, transparency/disclosure, and value creation, the current Board is woefully unqualified to summarily reject the addition of relevant skill sets and well-informed shareholder perspectives in the boardroom.

¹ Average total return of peer companies listed in AVAV's 2013 preliminary proxy statement through August 26, 2013 calculated using FactSet.

The Nomination of New Director Candidates is a Reactionary, Thinly-Veiled Attempt to Appear Willing to Embrace Change Which Actually Serves to Preserve the Status Quo

While in the midst of what we thought were good-faith negotiations, and before rejecting our alternative proposals, the Board preemptively filed preliminary proxy materials and announced the appointment of two new directors, Charles Thomas Burbage and Edward R. Muller. We believe both have problematic ties to management and the Board. Mr. Muller worked under Mr. Alibrandi at Whittaker Corp., as did Mr. Conner; we believe Mr. Burbage and Mr. Conner are long-time friends. These appointments were surreptitiously designed to give the appearance of greater Board independence; instead, these actions only serve to further entrench and insulate the Board. In addition, the Company's third nominee this year, Charles R. Holland, by the Board's own admission, is not independent given the sizable consulting fees he receives from the Company. It is abundantly clear that the Board and management seek to enjoy the benefits of a public company structure (liquidity for founders/management and access to the capital markets) while at the same time aggressively retaining the governance model of a private company. We are shocked that the Board would employ such a tactic and assume shareholders would be so naïve as to not recognize the true motive behind these actions.

The Board has Rejected Engaged's Proposed Solutions and Offered Only Hollow Reforms and Self-Serving Counterproposals

Once the Board communicated its reservations regarding Mr. Welling's candidacy this year, Engaged offered multiple solutions to both avoid a contested situation and bring positive change to the Company, all of which were rejected.

- In exchange for a standstill agreement, Engaged proposed that the Company provide us the right to have our candidate nominated as part of the Company's slate at the 2014 annual meeting of shareholders. The idea being that we would work closely with management and the Board over the next year to address our concerns and hopefully avoid the need to exercise this option. On the August 16, 2013 call, Mr. Alibrandi called this proposal "ludicrous."
 - Alternatively, Engaged proposed that the Company declassify the Board starting this year, electing directors to one-year terms, consistent with corporate governance best practices. Mr. Conner communicated that the Board's rejection of this proposal was due to its importance as an M&A defense mechanism. Engaged views a tender offer for the Company as extremely unlikely; further, to succeed, such a tender would require support from a majority of shareholders.
 - Paradoxically, Mr. Conner then suggested that the Company would declassify the Board beginning in 2014 if Engaged was willing to withdraw its nomination. This is an unacceptable solution as the intent is clearly to guarantee the tenure of the Company's Class I director nominees for three years, none of whom we view as independent.
 - The Board offered Engaged the option to review the Company's plans under cover of an NDA. However, the long-term nature of the requisite information would result in an NDA of significant and uncertain length. Therefore, this "solution" would only serve to isolate us from communicating with other shareholders, prevent us from accumulating additional shares, constrain our ability to issue public statements, and expose us to unnecessary regulatory risk. Such restrictive terms are only acceptable in return for board representation.
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- The Company, through its advisors, offered to create a capital allocation committee. While Engaged would applaud the formation of such a committee, this in and of itself would not sufficiently address our concerns.

We are resolute in our determination to ensure the Company is governed for the benefit of its shareholders. Our interactions have left us with serious doubt as to whether a single board seat is sufficient to influence critical decisions and unbind the decades-long ties that exist amongst the existing and proposed directors. As our fiduciaries, we consider the extent to which shareholder value creation opportunities have been ignored to be objectionable. We intend to exercise our rights on behalf of all shareholders and are committed to take any and all actions necessary in order to unlock shareholder value.

Sincerely,

/s/ Glenn W. Welling

Glenn W. Welling

July 3, 2013

Members of the Board of Directors

AeroVironment, Inc.
181 W. Huntington Dr., Suite 202
Monrovia, CA 91016

To The Board of Directors:

Engaged Capital LLC (“Engaged Capital”), together with its affiliates currently owns approximately 4.9% of the outstanding shares of AeroVironment, Inc. (“AVAV” or the “Company”), making us one of the Company’s largest shareholders. As we recently expressed to Timothy E. Conner, Chairman and Chief Executive Officer of AVAV, while we are encouraged by the Company’s impressive product and technology portfolio, growth prospects, and balance sheet flexibility, we have significant concerns regarding the reasons behind the Company’s lack of equity appreciation since its initial public offering on January 22, 2007. Despite industry leadership in the small UAS/UAV marketplace and numerous apparent growth opportunities, the Company currently trades approximately 16% below the closing price of the stock on its first day of public trading over six years ago.

We believe AVAV’s depressed public market valuation is attributable to a number of issues, including the following:

- The short-cycle nature of AVAV’s core business, combined with customer concentration around the U.S. Department of Defense (“DoD”), creates significant volatility in AVAV’s operating results. This volatility was present even prior to the recent DoD budgetary morass.
 - The Company’s failure to provide an adequate level of financial disclosure to investors has hampered understanding of the Company’s historical results and management guidance.
 - The Company boasts many exciting growth opportunities; however, the timing, size, and required investment for these projects is not well understood by investors. The Company has presented no milestones, timetables, or structures of accountability to give investors comfort in the return characteristics of these investments. Without such disclosure, investors are left to assume the worst; that these projects are either analyzed on an ad-hoc basis, or that investors’ lack of visibility is shared by management.
 - Capital allocation has resulted in an increasingly large cash balance which management has commented may be needed to finance these significant growth opportunities. However, no timetable or budget framework is provided to help investors understand what amount of capital is required to finance these growth initiatives and when this cash might be needed or freed up for other uses.
 - Two of the Company’s major growth initiatives, Global Observer and the Department of State mission services RFP, have a history of disappointing results. This, combined with the lack of disclosure cited above, causes investors to further discount the likelihood of future success.
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As the Board of Directors of AVAV (the "Board") discusses the future direction of the Company, and given the issues cited above and the size of our investment, we believe direct shareholder representation on the Board is necessary. Adding a representative of a large, independent shareholder to the Board, who has direct experience working through the same issues confounding AVAV's valuation, will lend credibility to the Company's strategic plans, growth initiatives, and capital allocation discipline. To that end, we have decided to nominate a highly qualified candidate to the Board at the 2013 Annual Meeting of AVAV's shareholders (the "2013 Annual Meeting"). We believe our nominee will bring an independent owner's perspective into the boardroom and a wealth of experience in working cooperatively with Boards of Directors and management teams to develop and communicate strategies aimed at maximizing shareholder value.

Engaged Capital's Nominee:

Glenn W. Welling is the Founder and Chief Investment Officer of Engaged Capital, a California based investment firm that is one of the largest shareholders of AVAV. Mr. Welling has over twenty years of experience working with Boards of Directors of companies to find ways to increase shareholder value. Prior to founding Engaged Capital, Mr. Welling was a partner at Relational Investors LLC, a \$6 billion activist equity fund and before that Mr. Welling was a Group Head and Managing Director at Credit Suisse Group AG (NYSE: CS), where he oversaw the Financial Strategy /Capital Structure Group, the Debt Ratings Advisory Group, and the Buy-Side Insights Group, the team that worked with the firm's highest priority clients to help them understand how their strategic and financial decisions would impact their equity valuation. In his career, Mr. Welling has advised the Boards of Directors and Chief Executive Officers of some of the largest aerospace and defense contractors in the world.

In closing, we believe an independent shareholder with expertise in capital allocation, investor communications, and capital market valuation is needed in AVAV's boardroom. We look forward to continuing to engage in a constructive dialog with Mr. Conver and the Board in order to reach a mutually agreeable resolution regarding our concerns and Board composition. However, in light of the July 6th deadline for the submission of shareholder nominations of individuals for election to the Board at the 2013 Annual Meeting and in order to preserve our rights, we are delivering the attached nomination notice to the Company's Corporate Secretary in accordance with the requirements of the Company's Amended and Restated Bylaws.

We have a reputation for working constructively with company directors and management teams and see our investment in AVAV as a continuance of that track record. As Mr. Conver noted in our recent discussion, our interests are aligned with those of the Company and all AVAV shareholders. We appreciate the open dialog we have enjoyed with management over the last six months and look forward to continuing this dialog with management and the Board as we move forward together and seek to improve the composition of the Board for the benefit of all shareholders.

Best regards,

/s/ Glenn W. Welling

Glenn W. Welling
Managing Member
Engaged Capital LLC



VIA EMAIL AND OVERNIGHT MAIL

August 7, 2013

Dr. Murray Gell-Mann
Nominating and Corporate Governance Committee Chairman
AeroVironment, Inc.
181 W. Huntington Dr., Suite 202
Monrovia, CA 91016

Dear Dr. Gell-Mann:

On July 2, 2013, Engaged Capital sent a letter to the company nominating a candidate to the board of directors at AeroVironment. Over a month has passed since you received this nomination. To date, I have not received any communication from you or anyone else on your committee. When I met with Mr. Conver on July 30, 2013, he explained that he was acting as a "conduit" for your committee. While cordial, this meeting lacked any substantive dialogue regarding our request. As a top five shareholder of AeroVironment, we would have expected more from our fiduciaries. Thus far, this experience has increased our conviction that the inclusion of a large, independent shareholder inside the boardroom would be greatly beneficial to the company.

We also understand that your committee may be considering other board candidates, including an individual with personal ties to the current management team and no significant company ownership. If true, this course of action would be quite disingenuous given the committee has failed to even meet with the large shareholder whose nominating letter set this activity in motion. Throughout our engagement we have tried to work constructively, behind the scenes, to resolve our concerns. While the lack of substantive engagement on the part of the board confounds us, it does provide us with a fact set supportive of the election of our nominee at the upcoming annual meeting.

Despite our frustration with the lack of progress, we are still seeking a constructive dialogue with you, rather than a public escalation of tensions. Please contact me so we can arrange a meeting to resolve this situation in a manner which benefits AeroVironment and all of its shareholders.

Regards,

/s/ Glenn Welling

Glenn Welling

cc: Joseph F. Alibrandi
Kenneth R. Baker
Arnold L. Fishman



Glenn W. Welling
Principal
Chief Investment Officer

VIA EMAIL AND OVERNIGHT MAIL

August 12, 2013

Dr. Murray Gell-Mann
Nominating and Corporate Governance Committee Chairman AeroVironment, Inc.
181 Huntington Dr., Suite 202
Monrovia, CA 91016

Dear Dr. Gell-Mann:

I was sorry that you were not able to attend my meeting with your fellow committee members over the weekend. I look forward to meeting you sometime in the near future. I wanted to thank each of the committee members and Tim Conner for taking time out of their weekend to meet with me and assess my candidacy for the board of directors (the "Board") of AeroVironment ("AVAV" or the "Company"). I appreciate both the time they took and the thoughtfulness of the discussion and hope they walked away with a better understanding of the positive contribution my presence would add inside the boardroom. Upon reflection of our discussion, I was struck by a few points that, as one of AVAV's largest shareholders, I wanted to share with the Nominating and Corporate Governance Committee (the "Committee"):

- While a great Company with market-leading technologies, AVAV has not created value since going public over six years ago. I recognize that all but one of the Company's current directors have tenures extending well beyond the Company's public life. However, current and prospective owners will judge the Board's effectiveness only based on AVAV's performance since its IPO. I believe my addition to the Board will send a message to shareholders that the Board is proactively seeking to improve oversight and add fresh perspective in the boardroom.
- The Board's understanding of, and conviction in, the Company's strategy and future growth opportunities do not appear to be shared by investors (as reflected in the current share price). A plan to rectify this disconnect is critical to begin closing the gap between the quality of AVAV's business and its public market valuation. As one of AVAV's largest shareholders, I am confident my team and I will be able to provide valuable insights while working with the rest of the Board and senior management to increase the Company's market valuation.
- While having the largest shareholder as Chairman and CEO provides certain alignment of interests, the prerogatives of management are not always fully consistent with the best interests of shareholders. Having a large, independent shareholder representative in the boardroom will not only provide a different lens to the decision-making process, but will also give investors' confidence that their interests are being adequately represented, as well.

As the Committee works through their decision process, I am available and happy to answer any additional questions you may have about my candidacy. After our discussion on Sunday, I am confident my presence in the boardroom will provide a fresh perspective and will add value to AVAV's governance in a constructive and cooperative way. I look forward to working with this team to ensure AVAV delivers the level of shareholder returns justified by the quality of its people, technology, and operations.

Best regards

/s/ Glenn W. Welling

Glenn W. Welling

cc: Joseph F. Alibrandi
Kenneth R. Baker
Arnold L. Fishman
Timothy E. Conner