

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 Pursuant to §240.14a-12

AEROVIRONMENT, INC.

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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(4) Date Filed:



**Notice of 2021 Annual Meeting
of Stockholders
and Proxy Statement**

Friday, September 24, 2021
at 12:00 p.m. Eastern Time

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Note About Forward-Looking Statements

Certain statements in this Proxy Statement may constitute “forward-looking statements” as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements are made on the basis of current expectations, forecasts and assumptions that involve risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors outside of our control, that may cause our business, strategy or actual results to differ materially from those expressed or implied. Factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to, our ability to perform under existing contracts and obtain additional contracts; changes in the regulatory environment; the activities of competitors; failure of the markets in which we operate to grow; failure to expand into new markets; failure to develop new products or integrate new technology with current products; and general economic and business conditions in the United States and elsewhere in the world. For a further list and description of such risks and uncertainties, see the reports we file with the Securities and Exchange Commission, including our Form 10-K for the fiscal year ended April 30, 2021 made available with this Proxy Statement. We do not intend, and undertake no obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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

Our team produced strong financial and strategic results in fiscal year 2021. We again delivered record fourth quarter and full fiscal year 2021 revenue, representing a fourth consecutive year of profitable topline growth. In addition to producing solid financial and operational results despite the continued macroeconomic challenges our industry and economy are experiencing, we expanded our total addressable markets with the strategic acquisitions of Arcturus UAV, Inc. (“Arcturus”) and Progeny Systems Corporation’s Intelligent Systems Group (“ISG”) and our efforts to acquire Telerob GmbH, which closed shortly after the year end. We continued our momentum over the course of the year securing a key initial contract for our new anti-armor Switchblade 600 loitering missile system, completing the fifth successful test flight of the Sun glider solar High Altitude Pseudo-Satellite (“HAPS”) and demonstrating broadband LTE communication from the stratosphere. The AeroVironment team also made aviation history by developing critical propulsion and structural elements of the Ingenuity Mars Helicopter, the first aircraft to take flight in the atmosphere of another world.

We executed our growth strategy effectively in fiscal year 2021 and are well positioned to achieve significant revenue and adjusted EBITDA growth in fiscal year 2022 with our expanded team, geographic footprint and broad portfolio of intelligent, multi-domain robotic systems.

I regularly meet and communicate with our stockholders and would like to share some of the common questions they pose to us:

Q) Should we expect more acquisition activity from AeroVironment?

A) While AeroVironment is currently focused on integrating the three businesses we acquired recently, we will continue to look for other acquisition opportunities that similarly provide strong shareholder value while enhancing our portfolio of multi-domain robotic solutions and services.

Q) Is 2022 growth largely a result of acquisitions or do you also expect growth from AeroVironment’s core businesses?

A) We expect our core businesses to grow in fiscal year 2022 in addition to the incremental revenue and profit from our recently acquired businesses. Tactical Missile Systems and HAPS product lines are expected to contribute outsized growth while Small UAS will continue to be the dominant driver of revenue and profit in fiscal year 2022.

Q) Why do you expect your gross margin to decline in fiscal year 2022?

A) Our realized gross margins are a function of our business mix which varies over time between product sales, engineering services and flight services. For example, our Medium UAS business, established through the recent Arcturus UAV acquisition, includes ongoing flight services which deliver lower gross margin than our product sales. Further, we expect as part of purchase accounting related to each of our acquisitions that there will be significant intangible amortization expense as part of cost of revenue to further reduce margins in fiscal year 2022 and beyond. We expect that our product margins before intangible amortization will remain within the historical range at least through fiscal year 2022.

AEROVIRONMENT, INC.

NOTICE OF 2021 ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholders,

We are pleased to invite you to join the board of directors and executive team of AeroVironment, Inc. (the “company”) at our 2021 annual meeting of stockholders. Due to the ongoing outbreak of the novel coronavirus known as COVID-19 and its related variants, we have chosen to hold this year’s annual meeting in a virtual meeting format, to protect the health and well-being of our stockholders and employees. Stockholders will be able to attend and listen to the 2021 annual meeting live, submit questions to the board of directors and management, and vote their shares electronically, from virtually any location with internet connectivity.

Important information relating to the annual meeting is detailed below:

TIME: 12:00 p.m. Eastern Time on Friday, September 24, 2021

PLACE: *Online at: <https://web.lumiagm.com/216888245>*

ITEMS OF BUSINESS:		Unanimous Recommendations of Board of Directors
(1) Elect Cindy K. Lewis and Wahid Nawabi, each to serve as a Class III director for a three-year term;		FOR
(2) Ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending April 30, 2022;		FOR
(3) Conduct an advisory vote on the compensation of our Named Executive Officers;		FOR
(4) Approve the AeroVironment, Inc. 2021 Equity Incentive Plan;		FOR
(5) To consider the stockholder proposal to elect directors by a majority vote; and		NO RECOMMENDATION
(6) Transact such other business as may properly come before the annual meeting or any adjournments or postponements thereof.		

RECORD DATE: You are entitled to vote if you were a stockholder of the company at the close of business on August 6, 2021 (the “Record Date”).

MEETING PARTICIPATION AND ATTENDANCE: You may participate in the annual meeting, including submitting questions, if you were a stockholder as of the Record Date or you hold a valid proxy for the meeting. This year’s annual meeting will be conducted in a virtual only format on the internet. Stockholders (or their proxies) can participate in and vote at the annual meeting by logging in with your 11-digit voter control number issued by AST and password of AVAV2021 (case sensitive). Online access to the virtual stockholder meeting will open up approximately 60 minutes prior to the start of the annual meeting to allow for you to test your computer audio system.

You can ask questions once you log in or when the meeting begins by clicking on the “ask a question” icon on the top of your screen.

Beneficial Stockholders. If your shares are held in the name of a broker, bank or other holder of record, you should receive a proxy card and voting instructions with these proxy materials. To participate, including submitting questions, and vote at the virtual annual meeting, you must first obtain a valid legal proxy from your broker, bank or other agent and then register in advance to attend the annual meeting. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a legal proxy form.

After obtaining a valid legal proxy from your broker, bank or other agent, to then register to attend the annual meeting, you must submit proof of your legal proxy reflecting the number of your shares along with your name and email address to American Stock Transfer & Trust Company, LLC. Requests for registration should be directed to proxy@astfinancial.com or to facsimile number 718-765-8730. Written requests can be mailed to:

American Stock Transfer & Trust Company LLC
Attn: Proxy Tabulation Department
6201 15th Avenue
Brooklyn, NY 11219

Requests for registration must be labeled as “Legal Proxy” and be received no later than 5:00 p.m., Eastern Time, on September 17, 2021. You will receive a confirmation of your registration by email after we receive your registration materials.

VOTING BY PROXY:

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

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

Beneficial Stockholders. If your shares are held in the name of a broker, bank or other holder of record, follow the voting instructions you receive from the holder of record to vote your shares. Without your instructions as to how to vote, brokers are not permitted to vote your shares at the annual meeting with respect to the election of directors, the advisory vote to approve the compensation of our Named Executive Officers, approval of the AeroVironment, Inc. 2021 Equity Incentive Plan, or the stockholder proposal seeking a majority voting standard for the election of directors. Please instruct your broker how to vote your shares using the voting instructions provided by your broker.

This proxy statement is issued in connection with the solicitation of a proxy on the enclosed form by the board of directors of AeroVironment, Inc. for use at our 2021 annual meeting of stockholders. We will begin distributing this proxy statement, a form of proxy and our 2021 annual report on or about August 27, 2021.

Thank you for your support.



Tim Conner
Chairman of the Board

Arlington, Virginia
August 16, 2021

YOUR VOTE IS EXTREMELY IMPORTANT

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON SEPTEMBER 24, 2021**

This notice, the accompanying proxy statement, and our 2021 annual report to stockholders, which includes our Form 10-K for the fiscal year ended April 30, 2021, are available on our website at <http://investor.avinc.com/financial-information>.

PROXY SUMMARY

This proxy statement is furnished to our stockholders in connection with the solicitation of proxies by the board of directors of AeroVironment, Inc. for our 2021 annual meeting of stockholders to be held on Friday, September 24, 2021, and any adjournments or postponements thereof, for the purposes set forth in the attached notice of annual meeting of stockholders. Our principal executive offices are located at 241 18th Street South, Suite 415, Arlington, VA 22202. Enclosed with this proxy statement is a copy of our 2021 annual report, which includes our Form 10-K (without exhibits) for the fiscal year ended April 30, 2021. However, the 2021 annual report is not intended to be a part of this proxy statement or a solicitation of proxies.

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all the information that you should consider and you should read the entire proxy statement before voting. For more complete information regarding the company's 2021 performance, please review our annual report on Form 10-K for the fiscal year ended April 30, 2021. This proxy statement and the accompanying proxy card are first being distributed to stockholders on or about August 27, 2021.

VOTING AND MEETING INFORMATION

It is important that you vote in order to impact the future of the company. Please carefully review the proxy materials for the 2021 annual meeting of stockholders, which will be held on Friday, September 24, 2021, at 12:00 p.m., Eastern Time, online at <https://web.lumiagm.com/216888245>, and follow the instructions below to cast your vote on all of the voting matters.

Who is Eligible to Vote

You are entitled to vote at the 2021 annual meeting of stockholders if you were a stockholder of record at the close of business on August 6, 2021, the record date of the meeting. On the Record Date, there were 24,811,802 shares of common stock issued and outstanding and entitled to vote at the annual meeting. The holders of our common stock are entitled to one vote per share on any proposal presented at the annual meeting. We have no other voting securities outstanding.

Voting in Advance of the Meeting

Even if you plan to attend the 2021 annual meeting of stockholders, please vote right away using one of the following advance voting methods (see page 81 for additional details). Make sure to have your proxy card or voting instruction form in hand and follow the instructions.

You can vote in advance of the meeting in one of three ways:



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



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



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

PROXY SUMMARY

Attending and Voting at the Annual Meeting

All stockholders of record may vote virtually at the 2021 annual meeting of stockholders. Beneficial owners may vote virtually at the meeting if they have a legal proxy, as described on page 80.

Important Note about Meeting Admission Requirements: If you plan to attend the meeting virtually, you should review the important details on admission requirements on page 80.

Electronic Document Delivery

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

Roadmap of Voting Matters

Stockholders are being asked to vote on the following matters at the 2021 annual meeting of stockholders:

	Our Board's Recommendation
<p>Proposal 1. Election of Directors (page 9)</p> <p>The board believes that the combination of qualifications, skills and experiences of Cindy K. Lewis and Wahid Nawabi contribute to an effective and well-functioning board and their continued service as directors would be in the best interests of the company and its stockholders. Ms. Lewis and Mr. Nawabi possess the necessary qualifications to assist the board in providing effective oversight of the business and strategic advice and counsel to the company's management.</p>	FOR each Director Nominee
<p>Proposal 2. Ratification of the Appointment of Deloitte & Touche LLP as Our Independent Registered Public Accounting Firm (page 63)</p> <p>The Audit Committee has appointed Deloitte & Touche LLP to serve as the company's independent registered public accounting firm for the fiscal year ending April 30, 2022. The Audit Committee and the board believe that the appointment of Deloitte & Touche LLP to serve as the company's independent registered public accounting firm is in the best interests of the company and its stockholders. As a matter of good corporate governance, stockholders are being asked to ratify the Audit Committee's selection of our independent registered public accounting firm.</p>	FOR
<p>Proposal 3. Advisory Vote on the Compensation of Our Named Executive Officers (page 65)</p> <p>The company believes that our compensation programs are designed to attract, incentivize and reward our leadership for increasing stockholder value and align the interests of leadership with those of our stockholders on an annual and long-term basis. The company seeks a non-binding advisory vote from its stockholders to approve the compensation of our Named Executive Officers, as described in the Compensation Discussion and Analysis section beginning on page 39 and the Compensation Tables section beginning on page 53. The board values stockholder opinions and the Compensation Committee will take into account the outcome of the advisory vote when considering future executive compensation decisions.</p>	FOR
<p>Proposal 4. Approval of the AeroVironment, Inc. 2021 Equity Incentive Plan (page 67)</p> <p>We believe that the adoption of the 2021 Equity Incentive Plan is essential to our success. Equity awards are intended to motivate high levels of performance, align the interests of our employees, directors and consultants with those of our stockholders, and provide a means of recognizing their contributions to our success. We believe that equity awards are necessary to remain competitive in the industry and are essential to recruiting and retaining the highly qualified individuals who help us meet our goals. The principal features of the 2021 Equity Incentive Plan are summarized on page 68, but the summary is qualified in its entirety by reference to the 2021 Plan itself, which is attached to this proxy statement as Appendix A</p>	FOR

	Our Board's Recommendation
<p>Proposal 5. Stockholder Proposal to Elect Directors by a Majority Vote (page 76)</p> <p>While the board of directors is not taking a position with respect to this proposal and not issuing a recommendation to stockholders as to how they should vote, the board welcomes stockholder input on this precatory proposal, including through their votes, and notes that the proposal does not appear to contemplate a scenario where a stockholder issues “withhold” or “against” votes against one or more individual directors with the objective of encouraging the board to address the underlying policy reasons that gave rise to that voting decision, rather than definitively seeking the departure of the director(s) who did not secure majority support. In any event, the board will consider the outcome of this advisory vote, together with input and feedback received in the regular course of the company’s stockholder engagement program, evolving governance practices, and other factors the board deems relevant in assessing this proposal.</p>	NO RECOMMENDATION

QUESTIONS AND ANSWERS (PAGE 79)

Please see the Questions and Answers section beginning on page 79 for important information about the proxy materials, voting, the annual meeting, company documents, communications and the deadlines to submit stockholder proposals for the 2022 annual meeting of stockholders. Additional questions may be directed to Investor Relations at (805) 520-8350 x4278 or <https://investor.avinc.com/contact-us>.

CORPORATE GOVERNANCE (PAGE 24)

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

- Highly qualified and engaged board of directors, with relevant expertise for overseeing our strategy, capital allocation, performance, succession planning and risk
- High proportion of independent directors (6 of 8 in fiscal year 2021, 6 of 7 proposed in fiscal year 2022)
- Independent Audit, Compensation and Nominating and Corporate Governance Committees
- Board comprised of directors with key skills, attributes and experiences linked to the company's needs and business priorities
- Disclosed "skills matrix" for the board
- Regular board and committee self-evaluations
- Director resignations required from directors receiving more "withhold" votes than "for" votes in an uncontested election
- Lead Independent Director
- Regular reviews for board refreshment
- Regular board and committee self-evaluations
- Active stockholder engagement
- Anti-hedging, anti-pledging, and anti-short sale policies for all executives, directors and employees
- Executive compensation driven by pay-for-performance philosophy
- Share ownership guidelines and share retention policy for executives and directors
- Compensation recovery (clawback) policy for executives

DIRECTOR NOMINEES AND OTHER DIRECTORS (PAGES 14 – 21)

Name	Age	Director Since	Primary Experience	Committee Membership	# of Other Public Company Boards
Director Nominees					
Cindy K. Lewis ^{*1}	64	2021	President and Chief Executive Officer of AirBorn Consolidated Holdings, Inc.		0
Wahid Nawabi ²	52	2016	President and Chief Executive Officer of the company since May 2016; former Chief Operating Officer and Senior Vice President of the company and General Manager of the company's former Efficient Energy Systems ("EES") division		0
Other Directors					
Charles Thomas Burbage*	73	2013	Former Executive Vice President and General Manager, Joint Strike Fighter Program of Lockheed Martin	C, NCG, E	0
Timothy E. Conver ³	77	1988	Former President and Chief Executive Officer of the company	E	0
Arnold L. Fishman ^{*3}	76	1998	Founder and former chairman of the Board of Lieberman Research Worldwide	L, C	0
Catharine Merigold*	65	2015	Founder and Managing Partner of Vista Ventures	A, NCG	0
Charles R. Holland*	75	2004	Retired Air Force General and defense industry consultant		0
Edward R. Muller*	69	2013	Former Chairman and Chief Executive Officer of GenOn Energy Inc. and current and former director of public companies	A, C	1
Stephen F. Page*	81	2013	Former Chief Financial Officer of United Technologies Corporation and Chief Executive Officer of its Otis Elevator division and former director of public companies	A, NCG	0

* = Independent Director

L = Lead Independent Director

A = Audit Committee

C = Compensation Committee

E = Executive Committee

NCG = Nominating and Corporate Governance Committee

1. If re-elected, it is expected that the nominee will serve on the compensation committee.
2. If re-elected, the nominee will serve as the chairman of the board.
3. Retiring and not standing for re-election at the 2021 annual meeting of stockholders.

PROPOSAL 1. ELECTION OF NOMINEES TO THE BOARD OF DIRECTORS

Our board of directors currently consists of nine 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 III directors, Timothy E. Conver, Arnold L. Fishman and Cindy K. Lewis, will expire at the beginning of the annual meeting. Mr. Conver and Mr. Fishman have each determined to not stand for re-election and are retiring from the board when their terms expire at the 2021 annual meeting. Ms. Lewis was appointed as a Class III director by the board of directors in August 2021. As a result of Mr. Conver's and Mr. Fishman's retirements from the board of directors, the board of directors intends to reduce the size of the board from nine directors to seven directors, effective as of the beginning of the annual meeting.

Wahid Nawabi, currently a Class II director, notified the board of directors of his willingness to resign as a Class II director and stand for election as a Class III director, effective as of just prior to the 2021 annual meeting. At the recommendation of the Nominating and Corporate Governance Committee, our board of directors proposes the election of Cindy K. Lewis and Wahid Nawabi.

Cindy K. Lewis

Wahid Nawabi

Each of Ms. Lewis and Mr. Nawabi have indicated his or her willingness to serve if elected. If Ms. Lewis or Mr. Nawabi becomes unable to serve or for good cause

will not serve, the individuals named as proxies on the enclosed proxy card will vote the shares that they represent for the election of such other persons as the board may recommend, unless the board reduces the number of directors. There are currently three Class I directors, whose terms expire at the annual meeting of stockholders in 2022, and three Class II directors, whose terms expire at the annual meeting of stockholders in 2023. In connection with Mr. Conver's and Mr. Fishman's retirements from the board of directors and Mr. Nawabi's resignation as a Class II director effective just prior to the 2021 annual meeting and standing for election as a Class III director, after the 2021 annual meeting the board of directors will consist of three Class I directors, two Class II directors and two Class III directors.

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

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

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

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

Election Process and Voting Standard

There are no limits on the number of terms a director may serve. We believe term limits may cause the loss of experience and expertise important to the effective operation of our board of directors. However, to ensure that the board remains composed of high-functioning members able to keep their commitments to board service, the Nominating and Corporate Governance

Committee evaluates the qualifications and considers the performance of each incumbent director before recommending the nomination of that director for an additional term. The Class III directors will be elected on a plurality basis, and the two nominees receiving the highest number of "for" votes will be elected as directors. Our Corporate Governance Guidelines,

however, provide that at any stockholder meeting at which directors are subject to an uncontested election, each director must receive more “for” votes than “withhold” votes with respect to that director. If a director is elected but receives more “withhold” votes than “for” votes, he or she has agreed to submit a letter of resignation to the board of directors promptly following the certification of the election results. The Nominating and Corporate Governance Committee will make a recommendation to the board on whether to accept or reject the resignation, or whether other action should be taken. The board will act on the resignation taking into account the recommendation of the Nominating and Corporate Governance Committee and publicly disclose its decision and rationale within

100 days of the certification of the election results. The director who tenders the resignation will not participate in the decisions of the Nominating and Corporate Governance Committee or the board that concern the resignation.

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

Director Nominations

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

Stockholders who would like the Nominating and Corporate Governance Committee to consider their

recommendations for nominees to the board of directors should submit their recommendations in writing by mail to the Nominating and Corporate Governance Committee in care of the Office of the Corporate Secretary, AeroVironment, Inc., 241 18TH Street South, Suite 415 Arlington, VA 22202 or by email to corporatesecretary@avinc.com. Recommendations by stockholders that are made in accordance with these procedures will receive the same consideration as other nominees.

DIRECTOR QUALIFICATIONS AND INDEPENDENCE

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

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

Qualifications Required of All Directors

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

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

The board has identified the qualifications, attributes, skills and experience listed in the bullets below as

important for the board to possess as a whole, in light of the company's current needs and business priorities.

- 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;
- extensive knowledge of the company's business;
- aerospace and defense industry expertise;
- global and international business experience;
- strategic development experience, including mergers, acquisitions, venture capital and other strategic transactions;
- diversity of expertise and experience, including substantive matters pertaining to our business, relative to other directors;
- diversity of personal background, including gender, age and ethnicity, relative to other board members;
- experience in marketing, engineering, technology and innovation, operations, supply chain, manufacturing and legal;
- high level of financial literacy and experience;
- experience as a board member of another publicly-held company;
- data analytics experience;
- commercial business experience; and
- experience in scaling or growing a startup or small business into a significant business.

Independence Determinations

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

The board undertook a review of the independence of each director and considered whether such director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities as a director. Based upon information requested from and provided by each director regarding his or her business and personal activities and relationships as they may relate to us and our management, including the

beneficial ownership of our capital stock by each non-employee director and the transactions involving them described in the section entitled “Related Party Transactions — Certain Transactions and Relationships,” the board has determined that each of Charles Thomas Burbage, Arnold L. Fishman, General (Retired) Charles R. Holland, Cindy K. Lewis Catharine Merigold, Edward R. Muller and Stephen F. Page qualify as independent directors in accordance with the Nasdaq listing standards and Rules 10C-1 and 10A-3 under the Exchange Act.

In evaluating director independence, the board took into consideration General (Retired) Charles R. Holland’s service as a consultant to the company. Pursuant to a consulting agreement with the company effective January 1, 2016 and its subsequent amendments, 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, 2021, we paid to Mr. Holland approximately \$30,000 in consulting fees pursuant to the terms of his consulting agreement. The board determined that Mr. Holland has no relationship with the company, including Mr. Holland’s consulting arrangement with the company, that would interfere with his exercise of independent judgment in carrying out his responsibilities as an independent director.

2021 NOMINEES FOR CLASS III DIRECTORS

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

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

Timothy E. Conver, director since 1988, and Arnold L. Fishman, director since 1998, are retiring from the board and are not standing for re-election at the 2021 annual meeting. The board wishes to thank Mr. Conver and Mr. Fishman for their decades of leadership and dedication to the company, and to recognize the numerous invaluable contributions they have each made during their tenure on the board.

Due to their decisions to retire from the board of directors and not stand for re-election at the 2021 annual meeting, Timothy E. Conver and Arnold L. Fishman have each been excluded from the biographies and qualifications, attributes, skills and experiences disclosures below.

Director Nominees

Cindy K. Lewis	
Director Since:	2021
Age:	64
Board Committees and Leadership:	If re-elected, Ms. Lewis is expected to serve on the Compensation Committee
Summary of Experience:	Since July 1998, Ms. Lewis has served as the President and Chief Executive Officer of AirBorn Consolidated Holdings, Inc. She has also served as Chairperson of AirBorn since November 2013. AirBorn is a middle market employee owned company specializing in high reliability electronics manufacturing. Ms. Lewis has served in the manufacturing industry for over 40 years, with experience in accounting and finance, supply chain and manufacturing, information technology, business development, distribution and general management. From approximately 2006 through 2019, Ms. Lewis served in various board and officer roles for the National and Southwest Chapter of the ESOP Association, which promotes employee ownership awareness, best practices and provides strong lobbying efforts in Congress. Ms. Lewis currently serves on the Georgetown, Texas Chamber of Commerce Board of Directors. Ms. Lewis earned her Bachelors Degree in Accounting from The University of Texas at Arlington — College of Business and completed an Executive Development Program at The Wharton School, University of Pennsylvania.
Specific Qualifications, Attributes, Skills and Experience	
	<p>Global or International Business Experience</p> <p>Ms. Lewis has over 20 years of international business experience while at AirBorn, including developing both a broad global supply chain and a growing a global customer base. AirBorn has manufacturing locations in Canada and Europe, as well as strong contract manufacturing relationships in Asia. Ms. Lewis' international business experience is a valuable asset to our board as we grow our international presence and sales.</p>
	<p>Science, Technology and Innovation Experience</p> <p>Ms. Lewis's career includes management, development and oversight of various types of technologies. With electronic products that require heavy engineering and collaboration with customers for design, Ms. Lewis managed new product development for AirBorn, as well as new manufacturing processes and automation technologies. AirBorn has filed for and received numerous patents under Ms. Lewis' leadership. Ms. Lewis was the original architect of cybersecurity strategy for AirBorn and is the board cyber sponsor with a certificate of cybersecurity oversight from Carnegie Mellon. Ms. Lewis sponsors digital transformation and digital progression projects to ensure the company keeps pace with the rapid acceleration of software technology in all aspects of the business.</p>
	<p>Related Industry Experience — Customer Relationships</p> <p>Ms. Lewis has been directly responsible for managing various key customer relationships, ensuring service, expectations and contract negotiations provided a favorable partnering environment for both AirBorn and its customers. Four of AirBorn's five original customers from the 1950s remain top ten OEM customers today. Primary industry experience includes Military Aerospace, Medical, Semiconductor, and Energy.</p>
	<p>Investment and M&A Expertise</p> <p>Ms. Lewis led AirBorn through five acquisitions since 2002, broadening the company's capabilities and providing strategic market diversification. Ms. Lewis was directly involved in all negotiations with acquisition targets as well as funding for these acquisitions. Ms. Lewis directed subsequent integration activities. Ms. Lewis also led AirBorn through numerous major refinancing transactions over the years to fund acquisitions and growth capital investments. She has led the selection of financial institutions for fund raising of major transactions, and was directly involved in all related contract negotiations. Ms. Lewis additionally led the strategy and execution of refinancing which transitioned AirBorn to a 100% ESOP owned subchapter S corporation in 2003.</p>
	<p>Experience Scaling and Small Business</p> <p>Under her leadership at AirBorn, Ms. Lewis and her team have successfully led the company through several levels of transition from a small connector job shop to a middle market electronics company. Ms. Lewis developed AirBorn's growth strategy and led the execution of initiatives to achieve AirBorn's growth.</p>
	<p>Chief Executive Officer and Executive Experience</p> <p>Ms. Lewis has served since 1998 as President and Chief Executive Officer of AirBorn, bringing significant experience and insight to the board on financial, operations and strategic growth perspectives. Her prior positions at AirBorn include Chief Operating Officer, Vice President of Manufacturing, Vice President of Supply Chain, General Manager.</p>

2021 NOMINEES FOR CLASS III DIRECTORS

Cindy K. Lewis	
	<p>Defense Industry Experience</p> <p>Ms. Lewis has over 30 years of experience providing high reliability products and technical solutions to the Military and Aerospace industries domestically and internationally.</p>
	<p>ESG — Environmental, Social, Governance</p> <p>Ms. Lewis has extensive experience in regulatory compliance and has ensured AirBorn maintains robust compliance and governance practices. She oversees ESG strategy and activities, and leads the company's Diversity, Equity, Inclusion (DEI) activities.</p>

Wahid Nawabi	
Director Since:	2016
Age:	52
Board Committees and Leadership:	None
Summary of Experience:	Mr. Nawabi has served as our President and Chief Executive Officer since May 2016. Previously, Mr. Nawabi served as our President and Chief Operating Officer from January 2016 to May 2016 and as Senior Vice President and Chief Operating Officer from April 2015 to January 2016. He also served as Senior Vice President and General Manager, EES from December 2011 to April 2015. Prior to joining the company, Mr. Nawabi served as Vice President, Global Sales of Altery Systems, a designer and manufacturer of fuel cell power systems, from March 2010 through November 2011, and as Vice President, Americas, and Vice President, Global Sales for C&D Technologies, a producer and marketer of electrical power storage and conversion products, from February 2009 through March 2010. Prior to joining C&D Technologies, Mr. Nawabi worked for 16 years with American Power Conversion Corporation, a provider of power protection products and services, in a succession of positions of increasing responsibility, most recently as Vice President, Enterprise Segment, North America and Canada. During his 16-year tenure at American Power Conversion, Mr. Nawabi was instrumental to the company's growth into global market leadership positions in power protection and data center physical infrastructure, with significant roles in starting and growing the company's data center physical infrastructure business and in developing and expanding the company's business across Europe and Asia. Mr. Nawabi has a B.S. in electrical engineering from the University of Maryland, College Park.
Specific Qualifications, Attributes, Skills and Experience	
	<p>Chief Executive Officer and Executive Experience</p> <p>Mr. Nawabi brings significant executive and leadership experience to the board from his experience in various executive roles at the company since 2011 and his prior experience at Altery Systems, C&D Technologies and American Power Conversion.</p>
	<p>Extensive Knowledge of the Company's Business</p> <p>Mr. Nawabi has gained extensive knowledge of our business operations since joining our company in 2011 as Senior Vice President and General Manager, EES. His knowledge of all aspects of our business, operations and products, including his current service as our President and Chief Executive Officer, allows him to bring valuable practical information and insight to the board.</p>
	<p>Extensive Global or International Business Experience</p> <p>Through his experience as Vice President, Global Sales of Altery Systems and of C&D Technologies, as well as his service as our Chief Operating Officer, President and Chief Executive Officer, Mr. Nawabi has gained extensive international business experience. At C&D Technologies, Mr. Nawabi helped expand and grow the business throughout Latin America, which led to the expansion of the company's presence both in manufacturing capacity as well as sales, marketing and customer service in such regions. Additionally, Mr. Nawabi helped develop American Power Conversion's business across Europe and Asia. As our international sales continue to increase, Mr. Nawabi's international experience will be a valuable asset to our board.</p>
	<p>Science Technology and Innovation Experience</p> <p>As the General Manager of the company's former EES business segment, Mr. Nawabi oversaw the launch of multiple innovative and successful new products to market and was responsible for revamping the division's product development processes, which were eventually implemented across the company's UAS segment as well. Additionally, while at American Power Conversion, Mr. Nawabi was instrumental in launching numerous innovative products to market, many of which were recognized as "industry firsts."</p>

Continuing Directors

Charles Thomas Burbage	
Director Since:	2013
Age:	73
Board Committees and Leadership:	Chair of Compensation Committee, member of Nominating and Corporate Governance Committee and Executive Committee
Summary of Experience:	Mr. Burbage has served as a member of our board of directors since 2013. Mr. Burbage retired from Lockheed Martin Aeronautics Company in April 2013, after a 33-year career during which he served most recently as Executive Vice President and General Manager, Joint Strike Fighter Program from 2000 to 2013. Mr. Burbage also served on active duty in the U.S. Navy as a Naval aviator and recorded more than 3,000 flight hours in 38 types of military aircraft before retiring as a Captain in the U.S. Naval Reserve in 1994. Mr. Burbage currently serves as a director of Terma North America, Inc. and Chemring Group, Inc., a subsidiary of Chemring Group PLC. Mr. Burbage received a B.S. in aerospace engineering from the U.S. Naval Academy and holds an M.S. in aeronautical systems from the University of West Florida and an M.B.A. from the University of California, Los Angeles.
Specific Qualifications, Attributes, Skills and Experience	
	<p>Chief Executive Officer or Executive Experience</p> <p>Mr. Burbage was the Lockheed Martin executive responsible for the F-35 Joint Strike Fighter program from its inception to adoption. He brings to the board the experience of managing a complex global program involving U.S. military and international customers and global industrial partners.</p>
	<p>Extensive Global or International Business Experience</p> <p>Mr. Burbage's leadership of the F-35 Joint Strike Fighter program involved international business development activities on a global basis. The F-35 was sold to more than 10 countries and involved a global manufacturing capability. This experience is particularly relevant to us as we pursue larger and more complex international business opportunities.</p>
	<p>Defense Industry Related Experience</p> <p>In addition to decades of experience as an executive of Lockheed Martin, Mr. Burbage previously served as a Naval aviator and test pilot. He received numerous industry awards, including the U.S. Naval Academy/Harvard Business Review Award for Ethical Leadership. His defense industry and Naval officer experience provides important insights to the board on our largest business and customer set.</p>
	<p>Science, Technology and Innovation Experience</p> <p>Mr. Burbage has an extensive engineering background. He has a B.S. in aeronautical engineering from the U.S. Naval Academy and an M.S. in aeronautical systems from the University of West Florida. He applied this technical and engineering knowledge as a Naval aviator and in his management roles at Lockheed Martin. This background and experience is critically important to the board because of the innovative nature and technical complexity of our products.</p>
	<p>Chief Executive Officer or Executive Experience</p> <p>Mr. Burbage was the Lockheed Martin executive responsible for the F-35 Joint Strike Fighter program from its inception to adoption. He brings to the board the experience of managing a complex global program involving U.S. military and international customers and global industrial partners.</p>

Charles Holland	
Director Since:	2004
Age:	75
Board Committees and Leadership:	None
Summary of Experience:	General Holland has served as a member of our board of directors since 2004. General Holland retired as Commander, Headquarters U.S. Special Operations Command (“USSOCOM”) in November 2003 and currently serves as an independent consultant for various entities. Mr. Holland has been a consultant of the company since February 2004. Prior to his retirement, Mr. Holland was responsible for all special operations forces of the Army, Navy and Air Force, both active duty and reserve. Mr. Holland entered the United States Air Force in 1968. He has commanded a squadron, two Air Force wings, served as Deputy Commanding General of the Joint Special Operations Command, and was Commander of the Special Operations Command, Pacific. Prior to commanding USSOCOM, he commanded the Air Force Special Operations Command and was the Vice Commander of U.S. Air Forces in Europe. Mr. Holland serves on the board of directors of a number of private companies in the defense industry, including Leonardo Electronics, Inc. (formerly SELEX Galileo, Inc.), MAG Aerospace and TENAX Aerospace, served on the Executive Advisory Board of Cubic Global Defense until September 2018, along with being on the Advisory Board of General Atomics Aeronautical Systems, Inc. Mr. Holland has a B.S. in aeronautical engineering from the U.S. Air Force Academy, an M.S. in business management from Troy State University (W. Germany) and an M.S. in astronautical engineering from the Air Force Institute of Technology.
Specific Qualifications, Attributes, Skills and Experience	
	<p>Defense Industry and Senior Military Experience</p> <p>Mr. Holland brings to the board of directors his perspective and expertise as a warfighter and senior commander and as a senior consultant to the defense industry. He offers critical insight into the needs and demands of our UAS customers.</p>
	<p>Extensive Knowledge of the Company</p> <p>As a result of General Holland’s years of experience as a director and his service as a consultant to the company, he has extensive knowledge of our products, business and personnel, which provides a valuable perspective to the board.</p>
	<p>Extensive Global or International Business Experience</p> <p>As a result of his military service and consulting experience, General Holland has extensive international business experience, including knowledge of international military customers, which is highly relevant to our expanding international UAS business.</p>
	<p>Science, Technology and Innovation Experience</p> <p>General Holland has extensive experience working with aerospace and other engineering and technology companies and currently serves on the board of directors of several companies in such industries, including Leonardo Electronics, Inc. (formerly SELEX Galileo), MAG Aerospace and TENAX Aerospace, served on the Executive Advisory Board of Cubic Global Defense until September 2018, along with being on the Advisory Board of General Atomics Aeronautical Systems. He also holds a bachelor’s degree in aeronautical engineering and a master’s degree in astronautical engineering. General Holland’s significant experience working with technology companies is valuable to the board given the company’s product lines and the industries in which the company operates.</p>

2021 NOMINEES FOR CLASS III DIRECTORS

Catharine Merigold	
Director Since:	2015
Age:	65
Board Committees and Leadership:	Member of Audit Committee and Chair of the Nominating and Corporate Governance Committee
Summary of Experience:	Ms. Merigold has been investing in and advising high-growth technology businesses for over 20 years as a venture capitalist. She was a Vice President at Centennial Ventures from 1992 to 1994, and then founded and has been the managing partner of Vista Ventures, a venture firm specializing in investing in software, digital media and network sectors, since January 2000. Prior to founding Vista Ventures, Ms. Merigold served as the President and Chief Executive Officer of University Technology Corporation, a company that managed all technology transfer and associated equity holdings for the University of Colorado system, from 1999 to 2000, and as Vice President of Marketing and Sales for US West Wireless. She began her career at Hewlett-Packard Company, serving in a variety of technical, marketing and sales management roles, including several years spent in Europe. Ms. Merigold has served on a number of corporate boards, including as a board observer for Market Force Information, Inc., a provider of customer intelligence solutions to large consumer companies, a board member of P2Binvestor, Inc., a crowd-lending platform providing asset-based lines of credit to businesses, and a board member of the Colorado Technology Association, and currently serves as a board member of University License Equity Holdings Inc. (ULEHI), which manages all the equity holdings associated with technology transfer of the University of Colorado. Ms. Merigold holds a B.S. in electrical engineering, with honors, from Washington University in St. Louis and an M.B.A. from Stanford University.
Specific Qualifications, Attributes, Skills and Experience	
	<p>Extensive Global or International Business Experience</p> <p>Ms. Merigold has substantial international business experience gained from her experience at Hewlett-Packard in Europe and previous experience working for the French power company EDF-GDF. Her international experience is important to the board given the company's growing international business.</p>
	<p>Science, Technology and Innovation Experience</p> <p>As a venture capitalist, Ms. Merigold has experience working with numerous technology companies and companies providing innovative solutions, including serving as a board member of P2Binvestor, Inc. and Tendril Networks, Inc., a provider of energy services management software. Given the company's innovative culture and the technical nature of its products, Ms. Merigold's experience working with technology companies provides useful insight to the board.</p>
	<p>Related Industry Experience — Marketing</p> <p>Ms. Merigold provides the board with unique insight into marketing and consumer purchasing behaviors, gained through experience in marketing positions with Hewlett-Packard and US West Wireless, and as a director of Market Force Information. Her extensive knowledge of marketing and purchasing behavior provides the board with critical knowledge for the expansion of our commercial business.</p>
	<p>Investment Expertise</p> <p>Ms. Merigold has served as a venture capitalist for over 20 years, serving as Vice President and a Partner of Centennial Ventures and later founding and serving as Managing Partner of Vista Ventures. Her significant experience as a venture capitalist has provided her with key understanding of the variables that lead to high-growth success of businesses, which enables Ms. Merigold to provide valuable insight to the board in evaluating potential strategic investments and opportunities.</p>
	<p>Experience Scaling and Growing Startup and Small Business</p> <p>Through her venture capital experience, Ms. Merigold has gained extensive experience helping companies navigate their way through the startup and high-growth phases into becoming a significant operational business. Her experience working with high-growth companies in a variety of industries brings valuable knowledge to the board regarding the scaling and growing of successful businesses, which assists the board in evaluating the company's growth strategy for new market opportunities and potential strategic arrangements.</p>
	<p>Data Analytics Experience</p> <p>Ms. Merigold brings to the board critical knowledge of data analytics, gained through her experience at US West Wireless, where she implemented and oversaw a data analytics program, as well as through her role as an advisory board member at Market Force Information, which utilizes data analytics in its products and services. Her experience with data analytics is very valuable to the board as the company grows its commercial business.</p>

Edward R. Muller	
Director Since:	2013
Age:	69
Board Committees and Leadership:	Chair of Audit Committee and member of Compensation Committee
Summary of Experience:	Mr. Muller has served as a member of our board of directors since 2013. Mr. Muller served as Vice Chairman of NRG Energy, Inc., a U.S.-based producer and retail supplier of electricity, from December 2012 to February 2017. Prior to the merger in 2012 of NRG and GenOn Energy Inc., Mr. Muller served as the chairman and chief executive of GenOn, which also produced and sold electricity in the United States, a position he held beginning in 2010. From 2005 to 2010, Mr. Muller was chairman and chief executive of Mirant Corporation, which produced and sold electricity in the United States and internationally. Previously, Mr. Muller served as president and chief executive officer of Edison Mission Energy until 2000, which produced electricity in the United States and internationally. Mr. Muller previously served as vice president, chief financial officer, general counsel and secretary of Whittaker Corporation, a conglomerate with activities in aerospace, chemicals, healthcare and metals. Mr. Muller serves as a director of Transocean Ltd., an offshore oil and gas driller, and previously served as a director of Contact Energy, Ltd., Edison Mission Energy, Interval, Inc., Oasis Residential, Inc., Ormat Technologies, Inc., RealEnergy, Inc., RigNet Inc., Strategic DataCorp., The Keith Companies, Inc., and Whittaker Corporation. Mr. Muller is a member of the Council on Foreign Relations, the Pacific Council on International Policy and the Board of Trustees of the Riverview School (which he chaired until June 2018), and previously was Chairman of the U.S.—Philippines Business Committee and Co-Chairman of the International Energy Development Council. Mr. Muller received his undergraduate degree from Dartmouth College and a J.D. from Yale Law School.
Specific Qualifications, Attributes, Skills and Experience	
	<p>Chief Executive Officer and Executive Experience</p> <p>Mr. Muller brings broad and extensive executive leadership experience to our board, having served as Chief Executive Officer of large companies that produced electricity for more than 15 years and as Chief Financial Officer and General Counsel of Whittaker Corporation.</p>
	<p>Public Company Board Experience</p> <p>Serving or having served as a director of 11 different public companies, Mr. Muller brings tremendous business and corporate governance oversight experience to the company and its board.</p>
	<p>Financial Expertise</p> <p>Mr. Muller has extensive financial and accounting experience as a Chief Executive Officer of several energy companies and as Chief Financial Officer of Whittaker Corporation and from serving on numerous public company audit committees. Our board and Audit Committee benefit from Mr. Muller's extensive financial and accounting experience.</p>
	<p>Extensive Global or International Business Experience</p> <p>Mr. Muller has extensive international business experience and is a recognized expert on international policy and energy development. Besides his substantial international business experience as a Transocean Ltd. director, Mr. Muller serves as a Member of the Council on Foreign Relations and the Pacific Council on International Policy and was previously Chairman of the U.S. Philippines Business Committee and Co-Chairman of the International Energy Development Council.</p>

2021 NOMINEES FOR CLASS III DIRECTORS

Stephen F. Page	
Director Since:	2013
Age:	81
Board Committees and Leadership:	Member of Audit Committee and Nominating and Corporate Governance Committee
Summary of Experience:	Mr. Page has served as a member of our board of directors since 2013. Mr. Page served on the board of directors and audit committees of Lowe's Companies, Inc., a home-improvement retailer, from 2003 to 2012; PACCAR, Inc., one of the largest manufacturers of medium and heavy duty trucks in the world, from 2004 to 2012; and Liberty Mutual Holding Company Inc., one of the largest property and casualty insurance companies in the U.S., where he was lead director. Before retiring in 2004, Mr. Page served in many leadership roles at United Technologies Corporation, a provider of high-technology products and services to the global aerospace and building systems industries that merged with Raytheon Corporation in April 2020 to form Raytheon Technologies Corporation, including director, Vice Chairman and Chief Financial Officer, and President and Chief Executive Officer of Otis Elevator, formerly a division of United Technologies. Mr. Page holds a B.S. in business administration from Loyola Marymount University and J.D. from Loyola Law School.
Specific Qualifications, Attributes, Skills and Experience	
	<p>Chief Executive Officer and Executive Experience</p> <p>Mr. Page has extensive executive leadership experience at large public companies. He served as Chief Financial Officer of United Technologies, a global provider of high-technology products and support services in the aerospace and building industries with annual revenues of approximately \$77 billion prior to its merger with Raytheon Corporation in April 2020, and he also served as Chief Executive Officer of Otis Elevator, a former multibillion dollar revenue generating unit of United Technologies, as Chief Financial Officer of Black & Decker Corporation, a manufacturer of power tools, and as General Counsel of the McCullough Corporation, a subsidiary of Black & Decker.</p>
	<p>Extensive Global or International Business Experience</p> <p>Mr. Page gained extensive experience leading international businesses in his executive leadership roles at United Technologies and as a director of PACCAR. This international business experience is extremely valuable to us as international business becomes an increasingly important component of our business.</p>
	<p>Defense and Related Industry Experience</p> <p>From his experience in leadership roles at United Technologies, Mr. Page brings highly relevant experience to our military-focused unmanned aircraft systems business.</p>
	<p>Commercial Business Experience</p> <p>Mr. Page gained substantial experience in commercial business operations through his positions at United Technologies and Black & Decker Corporation. Mr. Page's commercial business experience is of significant importance to the board as the company expands its commercial operations.</p>
	<p>Public Company Board Experience</p> <p>Mr. Page's service as Vice Chairman of United Technologies and as the Lead Independent Director at Liberty Mutual and his experience as a director of United Technologies, PACCAR and Lowe's provides us with valuable corporate governance and board leadership experience.</p>
	<p>Financial Expertise</p> <p>Having served as Chief Financial Officer of two major public companies and as Audit Committee Chair of Lowe's, PACCAR and Liberty Mutual, Mr. Page brings a wealth of financial, capital allocation and audit committee experience to the company and the board.</p>

SUMMARY OF DIRECTOR NOMINEES

The following information and graphics summarize the qualifications of the nominees for Class III director and the other members of the board, excluding Mr. Conner and Mr. Fishman who are retiring from the board and not standing for re-election. Based on a careful assessment, the Nominating and Corporate Governance Committee and the board concluded that each nominee is qualified to serve as a director and that the collective board, including the nominees for election, possesses the necessary qualifications, attributes, skills and experience to provide effective oversight of the business and provide strategic advice and counsel to the company's management.

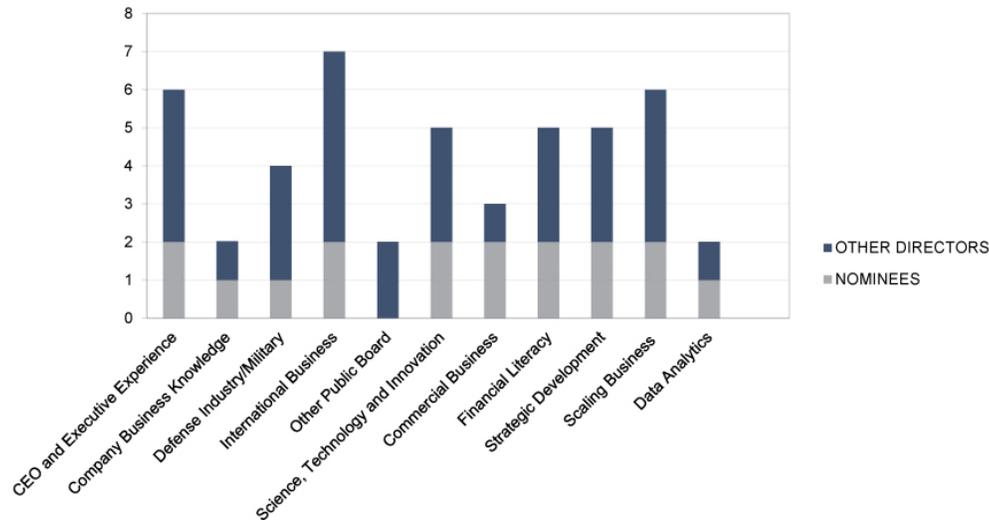
All nominees and other directors exhibit:

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

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

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

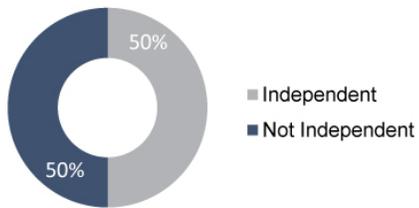
Attribute	Nominees		Continuing Directors					Totals	
	Nawabi	Lewis	Burbage	Holland	Merigold	Muller	Page	Nominees	Board
CEO and Executive Experience	✓	✓	✓		✓	✓	✓	2	6
Knowledge of Company Business	✓			✓				1	2
Defense/Aerospace Industry or Military Experience		✓	✓	✓			✓	1	4
International Business Experience	✓	✓	✓	✓	✓	✓	✓	2	7
Other Public Board Experience						✓	✓	0	2
Science, Technology and Innovation	✓	✓	✓	✓	✓			2	5
Commercial Business Experience	✓	✓					✓	2	3
Financial Literacy	✓	✓			✓	✓	✓	2	5
Strategic Development Experience	✓	✓			✓	✓	✓	2	5
Scaling Business Experience	✓	✓	✓		✓	✓	✓	2	6
Data Analytics Experience	✓				✓			1	2



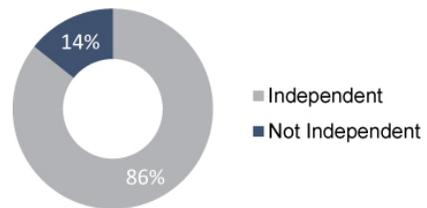
2021 NOMINEES FOR CLASS III DIRECTORS

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

Nominees

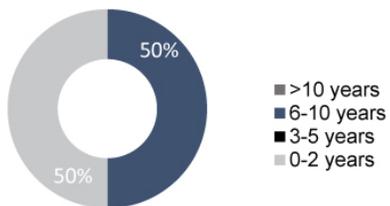


Full Board¹

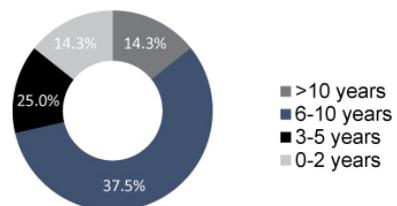


PRIOR BOARD SERVICE

Nominees



Full Board¹



INDEPENDENCE

¹ Excludes Mr. Conner and Mr. Fishman who are retiring from the board and not standing for re-election.

CORPORATE GOVERNANCE

Board of Directors and Committees

Our board of directors functions in a collaborative manner and all directors play an active role in overseeing the company's business both at the board and committee levels. The 2021 director nominees consist of two Class III director nominees, of whom Ms. Lewis is an independent director and each of whom has significant executive leadership experience and knowledge of the company's industry.

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

- presides at all meetings of the board or stockholders at which the Chairman of the Board is not present;
- serves as a liaison on board-related issues between the Chairman of the Board and the independent directors;
- reviews and provides input to the Chairman of the Board regarding the nature, scope and timeliness of information that management provides to the board;
- reviews and provides input to the Chairman of the Board regarding the agendas for board meetings and the annual schedule of board meetings;
- presides at meetings of the independent directors and apprises the Chairman of the Board of the issues discussed, as appropriate; and
- performs such other duties as the board may from time to time delegate.

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

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

Board Leadership Structure

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

Our current leadership structure is as follows:

- Chairman of the Board: Timothy E. Conver
- Lead Independent Director: Arnold Fishman
- Chief Executive Officer: Wahid Nawabi
- Committees led by independent directors
- Active engagement by all directors

At the 2021 annual meeting of stockholders, Mr. Conver and Mr. Fishman will retire from the board of directors and not stand for re-election. If re-elected, Mr. Nawabi will succeed Mr. Conver as Chairman of the Board. A new Lead Independent Director will be approved by the board of directors immediately after this annual meeting.

Following this annual meeting, our anticipated leadership structure will be as follows:

- Chairman of the Board: Wahid Nawabi
- Lead Independent Director: to be determined
- Chief Executive Officer: Wahid Nawabi
- Committees led by independent directors
- Active engagement by all directors

CORPORATE GOVERNANCE

The board believes that this anticipated leadership structure, a combined Chairman of the Board and Chief Executive Officer, an independent director serving as Lead Independent Director and strong, active independent directors, is the optimal structure to guide our company and maintain the focus required to achieve our business goals. The board believes this structure provides an effective balance between strong company leadership and appropriate safeguards and oversight by independent directors. It provides a single leader who is understood by our employees, customers, business partners, and stockholders as providing strong leadership for the company, which will enhance our ability and agility to manage resources and provides the focus required to implement our complex business strategy.

The Board's Role in Strategy Oversight

Our board of directors is actively involved in overseeing our strategy and its execution. In addition to discussing business goals and priorities and broader strategic issues regularly, the board engages with management on future opportunities for the company and how emerging trends, technologies and global developments may impact the company, our customers and business partners, end markets and our stakeholders and how the company should navigate such matters. Our board of directors guides our strategic direction and helps ensure our business strategies align to long-term value creation.

The Board's Role in Risk Oversight

Our board of directors is responsible for overseeing our risk management and delegates many of these functions to the Audit Committee, which reports regularly to the board. 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. Our Compensation and Nominating and Corporate Governance Committees are also involved in evaluating risks that fall within the purview of those committees' responsibilities.

The Board's Role in Human Capital Management Oversight

Our board of directors acknowledges that our employees are the company's most valuable asset and

the driving force behind our success, and seeks to ensure that the company is known for cultivating a positive and welcoming work environment—one that fosters growth, provides a safe place to work, supports diversity and embraces inclusion. Our board of directors believes that a diverse and inclusive workforce is a major catalyst for driving innovation.

Board Meetings

Under the company's bylaws, regular meetings of the board are held at such times as the board may determine. Special meetings of the board may be called by the Chairman of the Board or the President on 48 hours' notice to each director or by the President or the Corporate Secretary after receiving a written request of two directors on 48 hours' notice. The board held 12 meetings in fiscal year 2021. Each director attended at least 75% of all meetings of the board of directors and each committee on which he or she sat during fiscal year 2021.

Annual Meeting Attendance

The company does not have a formal policy regarding directors' attendance at annual meetings of stockholders, but encourages all directors to attend such meetings. All members of our board who were serving as directors at the time, attended the 2020 annual meeting of stockholders.

Board Committees

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

Audit Committee

Committee Chair: Edward R. Muller
Other Committee Members: Stephen F. Page and Catharine Merigold

Meetings held in FY 2021: 5

The board has determined that Mr. Muller and Mr. Page qualify as audit committee financial experts as defined

by the rules of the SEC. All committee members are able to read and understand fundamental financial statements in accordance with Nasdaq requirements. Our Audit Committee's main function is to oversee our accounting and financial reporting processes, internal systems of control, independent registered public accounting firm relationships and the audits of our financial statements. The Audit Committee's responsibilities include:

- selecting and hiring our independent registered public accounting firm;
- evaluating the qualifications, independence and performance of our independent registered public accounting firm;
- reviewing and approving the audit and non-audit services to be performed by our independent registered public accounting firm;
- reviewing the design, adequacy, implementation and effectiveness of our internal controls established for finance, accounting, legal compliance and ethics;
- reviewing the design, adequacy, implementation and effectiveness of our critical accounting and financial policies;
- overseeing and monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;
- reviewing with management and our independent registered public accounting firm our annual and quarterly financial statements;
- reviewing with management and our independent registered public accounting firm any earnings announcements or other public announcements concerning our operating results;
- establishing procedures for the receipt, retention and treatment of complaints (including procedures for receiving and handling complaints on a confidential and anonymous basis) regarding accounting, internal accounting controls or auditing matters, including employee concerns regarding questionable accounting or auditing matters;
- preparing the audit committee report that the SEC requires in our annual proxy statements; and
- reviewing and approving any related party transactions.

The Code of Business Conduct and Ethics ("code of conduct"), is our code of ethics for directors, executive officers, employees and agents. Any amendment to the code of conduct that applies to our directors or executive officers may be made only by the board or a board committee and will be disclosed on our website.

The code of conduct is available at <http://investor.avinc.com>. The Audit Committee charter and the code of conduct are also available in print to any stockholder who requests them.

Compensation Committee

Committee Chair Charles Thomas Burbage
Other Committee Members: Arnold L. Fishman¹ and Edward R. Muller

Meetings held in FY2021 7

1. *Mr. Fishman is not standing for re-election and will retire from the board of directors and the Compensation Committee effective at the 2021 annual meeting of stockholders. If re-elected, it is expected that Ms. Lewis will be appointed as a member of the 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 the compensation to be paid to directors for board and committee service. The Compensation Committee of our board consists of three independent directors. The Compensation Committee's responsibilities with respect to executive and director 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;
- to review and approve all compensation of our executive officers and all other officers subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act");
- to review all employment agreements and severance arrangements of executive officers;
- to review and recommend to the board compensation for non-management directors' service on the board and any committees;
- to review all annual bonus, long-term incentive compensation, stock option, employee pension and welfare benefit plans;
- to review and approve the Compensation Discussion and Analysis contained in this proxy statement; and
- to review and approve executive officer indemnification and insurance matters.

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

CORPORATE GOVERNANCE

- setting performance goals for our executive officers and reviewing their performance against these goals;
- approving all amendments to, and terminations of, all such compensation plans and any awards under such plans;
- granting awards under any performance-based annual bonus, long-term incentive compensation and equity compensation plans to executive officers; and
- making recommendations to the board with respect to awards for directors under our equity incentive plans.

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

Compensation Committee Interlocks and Insider Participation

The members of our Compensation Committee during the fiscal year ended April 30, 2021 were Arnold L. Fishman, Charles Thomas Burbage, and Edward R. Muller. None of the current or proposed members of our Compensation Committee at any time has been one of our executive officers or employees. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or Compensation Committee.

Nominating and Corporate Governance Committee

Committee Chair:	Catharine Merigold
Other Committee Members:	Charles Thomas Burbage and Stephen F. Page
Meetings held in FY 2021:	5

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. The Nominating and Corporate Governance Committee's responsibilities include:

- evaluating the composition, size and governance of our board of directors and its committees and making recommendations regarding future planning and the appointment of directors to our committees;
- administering a policy for considering stockholder nominees for election to our board of directors;
- evaluating and recommending candidates for election to our board of directors;
- overseeing our board of directors' performance and self-evaluation process; and
- reviewing our corporate governance principles and providing recommendations to the board regarding possible changes.

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

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

- independence from management;
- personal and professional integrity, ethics and values;
- practical and mature business judgment;
- experience as a Chief Executive Officer, President or other executive officer of a public or large private company;
- extensive knowledge of the company's business or experience in one or more industries in which we compete, including aerospace and defense, alternative energy, automotive or industrials;
- global and international business experience;
- experience in strategic development activities, including mergers, acquisitions, partnerships and venture capital transactions;
- experience in marketing, engineering, technology and innovation, operations, supply chain and manufacturing, and legal;

- a high degree of financial literacy and experience;
- experience as a board member of another publicly held company;
- diversity of expertise and experience in substantive matters pertaining to our business relative to other board members;
- diversity of personal background relative to other board members, including gender, age, and ethnic diversity;
- data analytics experience;
- commercial business experience; and
- experience in scaling or growing a startup or small business into a significant business.

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

- a statement that the writer is a stockholder and is proposing a candidate for consideration by the committee;
- the name of and contact information for the candidate;
- a statement detailing any relationship between the candidate and any of our customers, suppliers or competitors;
- with respect to each of the proposing stockholder and the candidate, the class and number of shares of our capital stock which are, directly or indirectly, owned beneficially or of record;
- with respect to each of the proposing stockholder and the candidate, any derivative, swap or other transaction, or series of transactions, the purpose or effect of which is to give such party economic risk similar to ownership of shares of our capital stock;
- with respect to each of the proposing stockholder and the candidate, any proxy, agreement, arrangement, understanding or relationship that confers a right to vote any of our shares of capital stock;
- with respect to each of the proposing stockholder and the candidate, any agreement, arrangement, understanding or relationship engaged in, directly or indirectly, to reduce the level of risk of loss to, or increase or decrease the voting power of, such party with respect to our shares of capital stock, or which provides, directly or indirectly, the opportunity to

profit from any decrease in the price or value of our shares of capital stock;

- with respect to each of the proposing stockholder and the candidate, any right to dividends on any of our shares of capital stock owned beneficially by such party that are separated from our underlying shares of capital stock;
- with respect to each of the proposing stockholder and the candidate, opportunity to profit from, or any performance-related fees such party is entitled to, based on the increase or decrease in the value of any of our shares of capital stock;
- all information relating to the proposing stockholder and the candidate that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies or consents for election of directors in a contested election pursuant to Section 14 of the Exchange Act (including such candidate's written consent to being named in the proxy statement as a nominee and to serving as a director if elected);
- a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the proposing stockholder, on the one hand, and the candidate, his or her respective affiliates and associates, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K promulgated under the Exchange Act if such proposing stockholder were the "registrant" for purposes of such rule and the candidate were a director or executive officer of such registrant; and
- a completed and signed questionnaire, representation and agreement with respect to the candidate's background, any voting commitments or compensation arrangements and the candidate's commitment to abide by our Corporate Governance Guidelines.

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

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

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

CORPORATE GOVERNANCE

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

Executive Committee

Committee Chair:	Timothy E. Conver ²
Other Committee Member:	Charles Thomas Burbage
Meetings held in FY 2021:	0

2. *Mr. Conver is not standing for re-election and will retire from the board of directors and the Executive Committee effective at the 2021 annual meeting of stockholders. Effective upon the conclusion of the 2021 annual meeting of stockholders, it is expected that Mr. Nawabi will join the Executive Committee and assume the position of Committee Chair.*

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

Board Self-Evaluations

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

Communication with the Board

The board has established a process to facilitate communication with stockholders and other interested

parties. Communications can be addressed to the directors in care of the Corporate Secretary, 241 18th Street South, Suite 415, Arlington, VA 22202 or by email to corporatesecretary@avinc.com. At the direction of the board, all mail received may be opened and screened for security purposes. The board of directors has requested that certain items that are unrelated to the duties and responsibilities of the board of directors should be excluded, including the following: junk mail and mass mailings; product complaints; product inquiries; new product suggestions; resumes and other forms of job inquiries; surveys; and business solicitations or advertisements. In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will not be distributed, with the provision that any communication that is not distributed will be made available to any independent director upon request. Mail addressed to a particular director will be forwarded or delivered to that director. Mail addressed to "outside directors" or "non-employee directors" will be forwarded or delivered to the Lead Independent Director. Mail addressed to the "board of directors" will be forwarded or delivered to the Chairman of the Board.

Commitment to Good Corporate Governance

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

- anti-hedging and anti-short sale polices for executives, directors and employees which prohibit the use any strategies or products (including derivative securities, such as put or call options, or short-selling techniques) to hedge against potential changes in the value of our common stock;
- share ownership guidelines and share retention policy for executives and directors; and
- a compensation recovery policy for executives.

DIRECTOR COMPENSATION

Compensation of Non-Employee Directors

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

The Compensation Committee engages an independent compensation consultant, Pay Governance LLC ("Pay Governance"), a national compensation consulting firm, to assist it in reviewing

director compensation on a biennial basis. In June 2019, Pay Governance prepared a report for the Compensation Committee with non-employee director compensation data of peer companies identified by Pay Governance, which the Compensation Committee and the board of directors used in setting non-management director compensation for fiscal year 2021. After discussing the compensation of non-management directors with Pay Governance, the Compensation Committee recommended, and the board determined, that the annual cash retainer fees provided to the non-management directors for their fiscal year 2021 service should remain at the same levels as in effect for fiscal year 2019 and 2020.

The table below presents the annual cash retainer fees for our non-employee directors in effect in fiscal year 2021.

Director Responsibilities	Annual Retainer
Board Members	\$45,000
Chairman of the Board	\$50,000
Lead Independent Director	\$20,000
Chair of Audit Committee	\$16,000
Audit Committee Member (not including Chair)	\$ 6,000
Chair of Nominating and Corporate Governance Committee	\$10,000
Nominating and Corporate Governance Committee Member (not including Chair)	\$ 2,500
Chair of Compensation Committee	\$12,000
Compensation Committee Member (not including Chair)	\$ 4,000

Annual retainer amounts are paid in four equal quarterly installments at the beginning of each of our fiscal quarters if the individual is still serving as a director at such time. We also reimburse non-employee directors for out-of-pocket expenses incurred in connection with their service as a director, such as attending board or committee meetings. We also pay for travel and hospitality costs for the spouses of directors to accompany such directors to an offsite board meeting. Due to the COVID-19 pandemic and all board and committee meetings being held via videoconference during fiscal year 2021, no travel and entertainment expenses for directors' spouses were paid during the year.

In addition to cash retainer fees, our non-employee directors also receive an annual grant of restricted stock awards, which awards vest in three equal annual installments over a three-year period beginning

approximately one year from the date of grant. Based on the report provided by Pay Governance and a review of the peer company data in such report, the Compensation Committee recommended, and the board approved, an annual grant of restricted stock awards with an aggregate value of \$120,000 to each non-management director for their fiscal year 2021 service, which was the same aggregate value of restricted stock awards issued to non-management directors for their fiscal year 2020 service. These annual awards for fiscal year 2021 were granted to our non-employee directors in June 2020 and vest in three equal installments on July 11, 2021, 2022 and 2023. The number of shares subject to such awards was calculated on the date of grant based on the closing price per share of our common stock on such date. Newly elected or appointed non-employee directors will be granted restricted stock awards with an aggregate value of \$170,000 on the date of grant (measured by

DIRECTOR COMPENSATION

the closing price per share of our common stock subject to the awards on the date of grant). The annual and new director equity grant values were determined by the board to be competitive with non-employee director annual equity awards at comparable companies based on discussions with Pay Governance.

The award agreements evidencing stock options and restricted stock awards issued to our non-employee directors provide for the acceleration of vesting and exercisability of all company stock options and restricted stock awards held by the director upon the completion of a change in control.

Pursuant to an agreement with Mr. Conver, we provide supplemental medical coverage for Mr. Conver and his spouse following his retirement as the company's Chief Executive Officer. As of April 30, 2021, the actuarial value of Mr. Conver and his spouse's lifetime supplemental medical coverage is approximately \$157,093 based on the estimated future cost of insurance premiums and the life expectancies of Mr. Conver and his spouse. The value of the supplemental medical coverage provided to Mr. Conver and his spouse during fiscal year 2021 is reflected in the table below.

Fiscal Year 2021 Non-Employee Director Compensation Table

The following table identifies the compensation paid during fiscal year 2021 to each person who served as a non-employee director during fiscal year 2021.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards ¹ (\$)	All Other Compensation (\$)	Total (\$)
Charles Thomas Burbage	74,500	119,997	—	194,497
Timothy E. Conver	95,000	119,997	13,809 ²	228,806
Arnold L. Fishman	54,000	119,997	—	173,997
Charles R. Holland	45,000	119,997	30,000 ³	194,997
Catharine Merigold	61,000	119,997	—	180,997
Edward R. Muller	65,000	119,997	—	184,997
Stephen F. Page	53,500	119,997	—	173,497

- The value of the equity 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 restricted stock awarded to directors during fiscal year 2021. For additional information regarding the valuation assumptions used in the calculation of these amounts, refer to Note 14 to the financial statements included in our annual report on Form 10-K for our 2021 fiscal year, as filed with the SEC.*
- Includes costs for supplemental medical coverage for Mr. Conver and his spouse. Pursuant to an agreement with Mr. Conver, our former President and Chief Executive Officer, we provide supplemental medical coverage for Mr. Conver and his spouse following his retirement as our President and Chief Executive Officer. As of April 30, 2021, the actuarial value of Mr. Conver and his spouse's lifetime supplemental medical coverage is approximately \$157,093, based on the estimated future cost of insurance premiums and the life expectancies of Mr. Conver and his spouse. Included in this table is the value of the supplemental medical coverage provided to Mr. Conver and his spouse during fiscal year 2021.*
- Consists of consulting fees received by Mr. Holland. See "Independence Determinations" above for a full description of Mr. Holland's consulting relationship.*

The non-employee members of our board who held such positions on April 30, 2021, held the following aggregate number of unexercised options as of such date:

Name	Number of Securities Underlying Unexercised Options
Charles Thomas Burbage	25,000
Timothy E. Conver	101,362
Arnold L. Fishman	13,000
Charles R. Holland	—
Catharine Merigold	—
Edward R. Muller	25,000
Stephen F. Page	20,000

The non-employee members of our board who held such positions on April 30, 2021, held the following aggregate number of shares of unvested restricted stock as of such date:

Name	Number of Securities Underlying Unvested Restricted Stock
Charles Thomas Burbage	3,480
Timothy E. Conver	3,480
Arnold L. Fishman	3,480
Charles R. Holland	3,480
Catharine Merigold	3,480
Edward R. Muller	3,480
Stephen F. Page	3,480

The following table provides a breakdown of fees earned or paid in cash during fiscal year 2021.

Name	Annual Retainers (\$)	Chairman of the Board, Lead Independent Director and Committee Chair Retainer Fees (\$)	Committee Member Retainer Fees (\$)	Total Fees (\$)
Charles Thomas Burbage	45,000	27,000	2,500	74,500
Timothy E. Conver	45,000	50,000	—	95,000
Arnold L. Fishman	45,000	5,000	4,000	54,000
Charles R. Holland	45,000	—	—	45,000
Catharine Merigold	45,000	10,000	6,000	61,000
Edward R. Muller	45,000	16,000	4,000	65,000
Stephen F. Page	45,000	—	8,500	53,500

Compensation Policies Applicable to Non-Employee Directors

Annual Limits on Director Compensation

We have adopted annual limits on the amount of compensation that any individual non-employee director may receive for service on our board of directors. Under the 2021 Equity Incentive Plan, subject to stockholder approval at this meeting, the sum of any cash compensation, other compensation and equity awards granted to a non-employee director as compensation for services on our board during any fiscal year may not exceed \$500,000 (or \$700,000 for the director's initial year of service). The board of directors may make exceptions to this limit in extraordinary circumstances, provided that the director receiving the additional compensation may not participate in the decision to award that compensation.

Stock Ownership Guidelines for Non-Employee Directors

Our board of directors has adopted stock ownership guidelines for our non-employee directors. Pursuant to

the guidelines in effect during fiscal year 2021, each non-employee director was expected to own shares of the company's common stock with a market value of no less than five times his or her current annual cash retainer for serving as a member of the board of directors, exclusive of chairperson, committee or meeting fees, within (a) five years of the board's original adoption of the plan on August 6, 2013, or (b) five years of the date on which such person was appointed to the board. The company determines progress toward meeting the applicable ownership thresholds and ongoing compliance with the guidelines on the last day of each fiscal year. The table below shows each non-employee director's equity ownership in the company as a multiple of his or her cash retainer and the minimum ownership level required of the guidelines in effect on April 30, 2021 pursuant to these guidelines for each of our current non-employee directors, as of April 30, 2021:

DIRECTOR COMPENSATION

Name	Dollar Value of Equity Ownership as a Multiple of Annual Retainer (\$) ¹	Minimum Ownership Level Required as a Multiple of Annual Retainer
Charles Thomas Burbage	57.9x	5x
Timothy E. Conver	3109.9x	5x
Arnold Fishman	827.7x	5x
Charles R. Holland	146.4x	5x
Catharine Merigold	39.1x	5x
Edward R. Muller	106.0x	5x
Stephen F. Page	111.0x	5x

1. For each non-employee director, calculated by dividing (a) the sum of (1) the aggregate number of shares of vested and unrestricted common stock held by such non-employee director, multiplied by the closing price of \$110.37 per share of our common stock on April 30, 2021, the last trading day of fiscal year 2021, plus (2) the amount by which the market value of the shares of common stock underlying vested stock options held by such non-employee exceeds the exercise price of such stock options, if any, by (b) the annual retainer paid to such non-employee director (excluding any annual cash retainer for committee membership or chairmanship or service as lead independent director).

Post-Vesting Stock Retention Guidelines

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

Insider Trading and Anti-Hedging and Anti-Pledging Policies

The company's insider trading policies contain stringent restrictions on transactions in company stock by non-employee directors. All trades by non-employee directors must be pre-cleared. Furthermore, no member of our board of directors may use any

strategies or products (including derivative securities, such as put or call options, or short-selling techniques) to hedge against potential changes in the value of our common stock. Additionally, no non-employee director may pledge shares of our stock as collateral for a loan or hold any shares of our common stock in a margin account.

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

RELATED PARTY TRANSACTIONS

Certain Transactions and Relationships

Review and Approval of Related Party Transactions.

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

- the nature of the related person's interest in the transaction;
- the material terms of the transaction, including, without limitation, the amount and type of transaction;

- the importance of the transaction to the related person;
- the importance of the transaction to the company;
- whether the transaction would impair the judgment of a director or executive officer to act in the best interest of the company; and
- any other matters the Audit Committee deems appropriate.

Reportable Related Party Transactions. Other than the employment arrangements described elsewhere in this proxy statement, since May 1, 2020, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or will be a party in which:

- the amount involved exceeded or will exceed \$120,000; and
- a director, director nominee, executive officer, holder of five percent or more of any class of our capital stock or any member of his or her immediate family had or will have a direct or indirect material interest.

EXECUTIVE OFFICERS

The following table sets forth certain information as of August 6, 2021 about our executive officers.

Name	Age	Position
Wahid Nawabi ¹	52	President and Chief Executive Officer
Kevin McDonnell	59	Senior Vice President and Chief Financial Officer
Ken Karklin	52	Senior Vice President and Chief Operating Officer
Melissa Brown	44	Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary
Alison Roelke	47	Vice President and Chief People Officer

1. *The background and experience of Mr. Nawabi is detailed on page 16.*

Kevin McDonnell was appointed our Senior Vice President and Chief Financial Officer on February 10, 2020. Before joining the company, Mr. McDonnell served as Senior Vice President, Chief Financial Officer of JAMS, Inc., which provides alternative dispute resolution services, from September 2014 to February 2020. Prior to joining JAMS, Inc., Mr. McDonnell served in a variety of management and finance roles including as the co-founder of DoubleBeam, Inc., a provider of mobile retail solutions, from 2011 to 2014, the Chief Financial and Administrative Officer of Orange County Container Group LLC, a manufacturer of paperboard and paper-based packaging, from 2008 to 2011, the Executive Vice President, Finance and Administration, and Chief Financial Officer for Leiner Health Products from 2006 to 2008 and the Senior Vice President, Finance and Administration, and Chief Financial Officer for Memorex Corporation from 2004 to 2006. Mr. McDonnell previously held financial leadership positions with Digital Insight, Printrak, Teradata and Mattel. Mr. McDonnell holds a B.A. in Business Administration from Loyola Marymount University and a J.D. from Loyola Law School.

Ken Karklin was appointed as our Senior Vice President and Chief Operating Officer in June 2020, after having previously served as our Senior Vice President of Operations since December 2018. Prior to the company's sale of our Efficient Energy System (EES) business segment in June 2018, Mr. Karklin served as the company's Vice President and General Manager of EES from May 2015, and as Vice President of Transition Services, subsequent to the divestiture until December 2018. Ken previously served as our Director of Corporate Quality from August 2014 to May 2015. From April 2009 until August 2014, Mr. Karklin served in a range of leadership roles at our EES business segment, including Engineering Manager, Quality Director, and Program Management Director. Prior to joining the company, Mr. Karklin served as Vice President of Product Engineering at venture-funded startup Touchdown Technologies, which was successfully acquired in 2009 by his previous employer, Verigy (now part of Advantest

Corp.). Mr. Karklin previously held engineering leadership roles at established technology leaders Verigy (Agilent spin-off), Agilent Technologies (Hewlett-Packard Company spin-off), Hewlett-Packard Company and Intel Corporation. Mr. Karklin earned a B.S. in Mechanical Engineering from Rensselaer Polytechnic Institute in 1995, is a graduate of Agilent/Hewlett-Packard's yearlong Accelerated Leadership Development Program (ADP/LEAD) and completed an Executive Certificate program at Massachusetts Institute of Technology Sloan School of Management in 2020.

Melissa Brown has served as our Chief Compliance Officer since May 2021 and our Vice President, General Counsel and our Corporate Secretary since December 2016. She was appointed as our Corporate Secretary in September 2016 and previously she served as our Corporate Counsel from April 2015 to December 2016. Prior to joining the company, Ms. Brown served as an associate attorney at various law firms, including K&L Gates LLP from 2007 to 2014. Ms. Brown earned a B.S. in Microbiology and Molecular Genetics from the University of California, Los Angeles and a J.D. from Arizona State University.

Alison Roelke has served as our Vice President and Chief People Officer since May 2020. She previously served as the company's Vice President of People & Culture from November 2017 to May 2020. Ms. Roelke joined the company in May 2017, serving as Sr. Director People & Culture from May 2017 to November 2017. Prior to joining the company, from 2009 to 2014, Ms. Roelke served as the Vice President, Human Resources for Custom Sensors & Technologies, a division of Schneider Electric, which was sold to private equity in 2014 and then to Sensata Technologies in 2015. Ms. Roelke stayed on with Sensata Technologies leading the Global Human Resources Mergers & Acquisitions function until she joined the company. She earned a B.A. in business management from California Coast University and received her Senior Professional in Human Resources (SPHR) designation in 2002 from the HR Certification Institute.

SHARE OWNERSHIP

Ownership of Equity Securities of the Company

The following table presents information regarding the beneficial ownership of our common stock as of August 6, 2021, by:

- our Named Executive Officers;
- our current directors and director nominees;
- all of our directors and executive officers as a group; and
- each stockholder known by us to be the beneficial owner of more than 5% of our common stock.

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

shares beneficially owned, subject to community property laws where applicable. Shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of August 6, 2021 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 24,811,802 shares of our common stock outstanding on August 6, 2021. Except as set forth in the footnotes below, the address of each beneficial owner listed on the table is c/o AeroVironment, Inc., 241 18th Street South, Suite 415, Arlington, VA 22202.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Outstanding
5% Stockholders		
BlackRock, Inc. ¹	3,446,066	14.3%
The Vanguard Group ²	2,430,134	10.1%
American Capital Management, Inc. ³	1,572,661	6.5%
Named Executive Officers, Directors and Director Nominees:		
Wahid Nawabi ⁴	122,674	*
Kevin McDonnell	6,821	*
Ken Karklin	14,644	*
Melissa Brown	9,485	*
Alison Roelke	3,693	
Charles Thomas Burbage ⁵	53,413	*
Timothy E. Conver ⁶	1,114,634	4.5%
Arnold L. Fishman ⁷	345,191	1.4%
Charles R. Holland	64,488	*
Cindy K. Lewis	—	—
Catharine Merigold	20,765	*
Edward R. Muller ⁸	54,223	*
Stephen F. Page ⁹	53,413	*
Current Directors and Executive Officers as a Group (13 persons)	1,863,444	7.4%

* Less than 1%.

1. Based solely on a Schedule 13G/A filed by BlackRock, Inc. on January 26, 2021 with the SEC reporting beneficial ownership as of December 31, 2020. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.
2. Based solely on a Schedule 13G/A filed by The Vanguard Group on February 10, 2021 with the SEC reporting beneficial ownership as of December 31, 2020. The address of The Vanguard Group is 100 Vanguard Boulevard, Malvern, PA 19355.
3. Based solely on a Schedule 13G/A filed by American Capital Management, Inc. on February 16, 2021 with the SEC reporting beneficial ownership as of December 31, 2020. The address of American Capital Management, Inc. is 575 Lexington Avenue, 30th Floor, New York, NY 10022.

SHARE OWNERSHIP

4. *Includes 96,164 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 6, 2021.*
5. *Includes 25,000 shares of our common stock reserved for issuance upon exercise of stock options which currently are exercisable or will become exercisable within 60 days of August 6, 2021.*
6. *Includes 715,221 shares held by the Conver Family Trust, of which Mr. Conver is one of the trustees, 251,606 shares held by C5 Holdings LLC, of which Mr. Conver is the manager, and 101,362 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 6, 2021. Mr. Conver disclaims beneficial ownership of any securities in which he does not have a pecuniary interest. Mr. Conver is retiring from the board of directors effective at the 2021 annual meeting of stockholders.*
7. *Includes 315,140 shares of our common stock held by the Arnold Fishman Revocable Trust Arnold Fishman Trustee; 9,000 shares of our common stock reserved for issuance upon exercise of stock options which currently are exercisable or will become exercisable within 60 days of August 6, 2021, and 6,500 shares held by Mr. Fishman's wife, Judy Fishman. Mr. Fishman is retiring from the board of directors effective at the 2021 annual meeting of stockholders.*
8. *Includes 25,340 shares held by the Edward R. Muller and Patricia E. Bauer 1991 Family Trust, of which Mr. Muller is one of the two trustees and with respect to which he shares investment authority with the other trustee, and 810 shares held by the Edward R. Muller IRA. Includes 25,000 shares of our common stock reserved for issuance upon exercise of stock options which currently are exercisable or will become exercisable within 60 days of August 6, 2021.*
9. *Includes 5,000 shares held by the Stephen F. Page Living Trust, of which Mr. Page is the trustee, and 20,000 shares of our common stock reserved for issuance upon exercise of stock options which currently are exercisable or will become exercisable within 60 days of August 6, 2021.*

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of April 30, 2021 about our common stock that may be issued, whether upon the exercise of options, warrants and rights or otherwise, under our existing equity compensation plans.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights ¹	(b) Weighted-average exercise price of outstanding options, warrants and rights ¹	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	280,526 ¹	\$24.57	2,183,312 ²
Equity compensation plans not approved by security holders	—	—	—
Total	280,526¹	\$ 24.57	2,183,312²

1. Consists of awards outstanding under the AeroVironment, Inc. Amended and Restated 2006 Equity Incentive Plan.

2. As of July 10, 2021, no additional awards may be granted under the AeroVironment, Inc. Amended and Restated 2006 Equity Incentive Plan.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Compensation Committee Report

The Compensation Committee of our board of directors is primarily responsible for determining the annual salaries and other compensation of our executive officers and administering our equity compensation plans. The Compensation Committee has reviewed and discussed with management the following Compensation Discussion and Analysis of the 2021 proxy statement. Based on such review and discussions, the Compensation Committee recommended to the board that the Compensation Discussion and Analysis be included in our annual report filed on Form 10-K and this proxy statement.

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

Compensation Discussion and Analysis

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

- Wahid Nawabi, our President and Chief Executive Officer;
- Kevin McDonnell, our Senior Vice President and Chief Financial Officer;
- Kenneth Karklin, our Senior Vice President and Chief Operating Officer;
- Melissa Brown, our Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary; and

- Alison Roelke, our Vice President and Chief People Officer.

We refer to these executive officers collectively in this Compensation Discussion and Analysis as the “Named Executive Officers.” Specifically, this Compensation Discussion and Analysis provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program, and each compensation component that we provide. In addition, we explain how and why the Compensation Committee arrived at specific compensation policies and decisions involving our Named Executive Officers during fiscal year 2021.

Executive Summary

Our executive compensation program is designed to support our business goals and objectives by providing a link between the total compensation for our executive officers, including the Named Executive Officers, and the creation of long-term stockholder value. The Compensation Committee reviews our executive compensation program on an annual basis to ensure that it is consistent with such objectives. In line with this philosophy, compensation awarded to our Named Executive Officers for fiscal year 2021 reflected our financial and strategic results and overall compensation philosophy.

Key Performance Indicators During Fiscal Year 2021

For fiscal year 2021, revenue, operating income and annual bookings were the financial metrics used by the Compensation Committee to evaluate our financial performance under the company's executive compensation program. Our consolidated performance for fiscal year 2021 for these metrics, relative to fiscal year 2020 consolidated performance, is reflected in the table below.

Financial Measure	Fiscal Year 2021 (\$, in millions)	Fiscal Year 2020 (\$, in millions)	Increase (decrease) (%)
Revenue	394.9	367.3	7.5
Operating Income	43.3 ¹	47.1	(8.1)
Annual Bookings ²	351.8	409.7	(14.1)

- As described further below, the Compensation Committee excluded certain extraordinary expenses incurred in connection with certain acquisitions that were incurred throughout the year when considering this financial metric for achievement levels related to fiscal year 2021 bonuses.
- Annual bookings are firm orders for products and services for which funding has been appropriated to us under the contract by the customer and which was fully executed during the fiscal year. Annual bookings excludes the value of the unfunded portion on order amounts under cost-reimbursable and fixed price contracts such as (i) multiple one-year options, and indefinite delivery, indefinite quantity, or IDIQ contracts, or (ii) incremental funded contracts.

We delivered both strong financial performance and other significant results during fiscal 2021, including:

- Produced our fourth consecutive year of profitable top-line growth;
- Generated full fiscal year diluted earnings per share from continuing operations of \$0.96 and increased non-GAAP diluted earnings per share from continuing operations;
- Secured our largest single contract award of \$76 million for the first year of a potential three-year, \$146 million contract from the U.S. Army for Switchblade systems and related items;
- Sustained a high level of funded backlog, a record \$211.8 million entering into fiscal year 2022;
- Delivered record annual revenue of \$394.9 million, up 8 percent year-over-year; and record quarterly revenue of \$136 million in our fourth quarter;
- Adapted successfully to the COVID-19 pandemic and remote work configuration while achieving record financial performance and staying on track to meet our future financial goals and customer commitments;
- Completed 2 acquisitions of Arcturus UAV, and ISG, and substantially completed the acquisition of Telerob (which closed May 3, 2021) that continued to expand our portfolio of intelligent multi-domain robotics solutions and services;
- Introduced innovative new solutions including our Switchblade 600 variant, Extended Range Antenna, and Smart 2500 Battery;
- Continued to grow Tactical Missile Systems business through multiple Switchblade awards including \$45 million in awards under the Army's \$146 million Lethal Miniature Aerial Missile System ("LMAMS") contract and \$26 million in awards from USSOCOM;
- Entered into a new five-year Master Design and Development Agreement with Softbank to transition to the next phase of Solar HAPS including a new \$52 million order to continue design, development, and test activities. Team has made substantial progress over the last three years culminating in our fifth successful test flight and demonstration of LTE broadband communications;
- Maintained global leadership in small UAS including \$111 million in international revenue from over 50 allied customers and over \$40 million from the Army for Raven radio frequency modifications; and
- Developed critical propulsion and structural elements of the Ingenuity Mars Helicopter, the first aircraft to take flight in the atmosphere of another world.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Summary of Executive Compensation Best Practices

Our executive compensation program is governed by policies and practices that are intended to align with industry practices and stockholder interests.

Best Practices We Maintain	Practices We Avoid
<ul style="list-style-type: none"> ✓ Majority of total potential compensation paid to executives based on our financial performance ✓ Compensation recovery (or “clawback”) policy for the recoupment of incentive compensation of executive officers, directors and employees ✓ Anti-hedging, anti-pledging and anti-short sale policies for all employees, including executives ✓ Limited perquisites ✓ Retention of independent compensation consultant ✓ Annual risk assessment of compensation practices ✓ Stock ownership guidelines requiring ownership of company stock by our Chief Executive Officer of 4x his base salary and by other Named Executive Officers of 2x their base salaries ✓ Post-vesting stock retention guidelines requiring Named Executive Officers to hold 50% of net after-tax shares issued upon the vesting of equity awards until their required stock ownership levels are achieved 	<ul style="list-style-type: none"> X No employment agreements with executive officers X No executive pensions X No single-trigger for change in control situations under our Severance Plan X No excise tax gross-up payments upon a termination after a change in control X No repricing or exchange of “underwater” stock options without stockholder approval X No minimum guaranteed vesting for performance-based equity awards

Key Fiscal Year 2021 Compensation Determinations

During fiscal year 2021, the Compensation Committee made the following compensation decisions:

- *Base Salary Increases:* For fiscal year 2021, our Named Executive Officers, except for the Chief Financial Officer, received base salary increases intended to bring the base salaries of our executives closer to the median of our peer group data for their positions.
- *Continued Emphasis on Performance-Based Compensation:* In fiscal year 2021, the Compensation Committee continued its practice of awarding the majority of total target compensation to the Named Executive Officers in the form of performance-based compensation. This emphasis on performance-based compensation is intended to align executive compensation with stockholder interests.
- *Annual Bonuses for Fiscal Year 2021* As noted above, For fiscal year 2021, our executive annual cash bonus plan was tied primarily to the achievement of pre-established financial objectives related to revenue, operating income and annual

bookings for such period. As described below in further detail, we achieved 94.4%, 108.2%, and 81.6% of target achievement with respect to our revenue, operating income and annual booking objectives, respectively. Based on the company’s performance and other significant results during the fiscal year, as noted above in the “Executive Summary,” including the Named Executive Officers’ leadership during the continued COVID-19 pandemic and successfully consummating two acquisitions and substantially completing a third, Mr. Nawabi recommended to the Compensation Committee that the Named Executive Officers (other than himself) receive a 31.7% discretionary increase in their bonus payouts for fiscal year 2021, which was within the range of discretionary increase awarded by Mr. Nawabi to other non-executive company employees. The Compensation Committee awarded the Named Executive Officers a discretionary increase in their bonus payouts of 31.7%. The Compensation Committee and board of directors approved the same discretionary increase for Mr. Nawabi. Based on our performance for fiscal year 2021 and the discretionary increase, our Named Executive Officers participating in the company’s executive officer bonus plan received an annual

performance bonus equal to 85% of his or her targeted bonus amount.

- *Continued Use of Long-Term Incentive Compensation Program.* The company's long-term incentive compensation program consists of a mix of performance-based restricted stock unit awards ("PRsUs"), which vest based on the company's achievement of specified financial metrics over a three-year performance period, and restricted stock awards, which vest in equal annual installments over a three-year vesting period. If the financial metrics associated with payouts are earned, the PRsUs will settle in fully-vested shares of our common stock. In June 2020, the Compensation Committee granted time-based restricted stock awards and PRsUs to the Named Executive Officers with specified financial objectives for the cumulative three-year performance cycle comprising fiscal years 2021, 2022 and 2023.
- *Above Target Payouts under PRsUs for Fiscal Year 2019—Fiscal Year 2021 Performance Period.* In June 2020, the Compensation Committee determined that the PRsUs for the three-year performance period comprising fiscal years 2019-2021 would be paid out at 107.1% of the applicable target for such awards based on the company's strong financial performance over the performance period and our achievement of the financial metrics associated with such awards for the performance period.

Objectives of Our Executive Compensation Program

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

- Attract, motivate and retain superior talent;
- Ensure that compensation is commensurate with the company's performance and stockholder returns;
- Provide performance awards for the achievement of financial and strategic objectives that are important to our long-term growth; and
- Ensure that our executive officers have financial incentives to achieve growth in stockholder value.

Our compensation program is designed to achieve these objectives through a combination of the following types of compensation: base salary; annual cash incentive bonus awards; performance-based restricted stock units that will settle in fully-vested shares of

common stock for multi-year performance periods; restricted stock awards subject to time-based vesting over a multi-year period; and other employee benefits. Each of these compensation components serve our interests in different ways and together represent a comprehensive pay package that can reward both the short-term and long-term performance of the company and each individual Named Executive Officer. A majority of the compensation provided to the Named Executive Officers is based on our performance, which helps align the interests of our executive officers with those of stockholders in achieving long-term financial goals for our company. Each element of our executive compensation program is discussed in greater detail below.

The Compensation Committee does not affirmatively set out in any given year, or with respect to any given executive, to apportion compensation in any specific ratio among the various categories of compensation (i.e., cash and non-cash compensation, between short-term and long-term compensation, or between non-performance-based and performance-based compensation). Rather, the Compensation Committee uses the principles described above, and the factors described for each category in the discussion that follows, as a guide in assessing the proper allocation among those categories.

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 non-CEO Named Executive Officers. The Compensation Committee reviews and recommends for approval to our full board of directors the compensation of our President and Chief Executive Officer.

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

Role of Our Chief Executive Officer

Typically, our Chief Executive Officer makes recommendations to the Compensation Committee

EXECUTIVE COMPENSATION AND OTHER INFORMATION

regarding the compensation of our executive officers (except with respect to his own compensation), including base salary levels, target annual cash bonus opportunities, long-term incentive performance compensation levels and equity awards, with the assistance of our Vice President and Chief People Officer and our Chief Financial Officer. Our Chief Executive Officer also provides recommendations for the corporate financial objectives used in our annual cash bonus plan and long-term incentive compensation program. He supports his recommendations with competitive market data developed by our people and culture department, with information provided by the Compensation Committee's independent compensation consultant, and by reviewing the historical performance of each executive officer with the Compensation Committee. Although the Compensation Committee carefully considers the recommendations of our Chief Executive Officer when determining the compensation of our executive officers, it bases its decisions on the collective judgment of its members after considering the input of its independent compensation consultant and any relevant supporting data.

While our Chief Executive Officer generally attends meetings of the Compensation Committee, the committee meets outside the presence of our Chief Executive Officer when discussing his compensation.

Decisions regarding executive officers' compensation are generally made by the Compensation Committee, subject to the approval of our board of directors.

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

Role of Compensation Consultant

The Compensation Committee is authorized to retain the services of executive compensation advisors, as it sees fit, in connection with its oversight of our executive compensation program. In fiscal year 2021, the Compensation Committee engaged Pay Governance, a national compensation consulting firm, to provide executive compensation advisory services, including an executive officer compensation assessment.

The Compensation Committee considered the independence of Pay Governance consistent with the requirements of Nasdaq. Further, as required under Item 407(e)(3) of Regulation S-K, the Compensation Committee conducted a conflicts of interest assessment and determined that there is no conflict of interest resulting from retaining Pay Governance. The

Compensation Committee intends to reassess the independence of its compensation advisors at least annually.

Competitive Market Data

Each year, the Compensation Committee reviews the executive compensation practices of a group of companies in relevant industry sectors determined to be comparable to us based on their business size and public company status. With the assistance of Pay Governance, the Compensation Committee approved the following group of peer companies to include in a competitive market analysis of executive officer compensation:

- Acacia Communications, Inc.
- ADTRAN, Inc.
- Advanced Energy Industries, Inc.
- Astronics Corporation
- Axon Enterprise, Inc.
- Casa Systems, Inc.
- Ducommun Incorporated
- EchoStar Corporation
- iRobot Corporation
- Kratos Defense & Security Solutions, Inc.
- KVH Industries, Inc.
- Mercury Systems, Inc.
- nLIGHT, Inc.
- QinetiQ Group plc
- Vishay Precision Group, Inc.

Four prior peer companies (Control4 Corporation, The KeyW Holding Corporation, Maxwell Technologies, and Quantenna Communications) were acquired and are thus no longer included as peers. At the time of the selection of the peer group, the company was close to the peer group 50th percentile in terms of market capitalization and somewhat below the peer group median in terms of revenue. The specific companies were from relevant industries and within a range of company scope (primarily revenue and market capitalization) that we believe is appropriate for benchmarking executive compensation. The Compensation Committee, with Pay Governance, reviews the peer group each year to ensure the group is sufficiently robust enough to produce meaningful compensation data for executive compensation evaluation purposes. We believe the peer group includes companies with which we compete for business, executive talent and/or investment dollars.

After identifying our peer group, the Compensation Committee's independent compensation consultant conducts a compensation survey of the peer group to assess the competitiveness of our compensation programs. Where proxy data is not available, survey data for companies of comparable scope to the company are used.

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

The Compensation Committee does not establish compensation levels based directly on benchmarking, although, it does target a Named Executive Officer's overall target compensation to the market median. The Compensation Committee relies on the judgment of its members in making compensation decisions regarding base salaries, target bonus levels and long-term equity incentive awards. In addition to competitive market data, in making its compensation decisions, the Compensation Committee also considers an executive officer's position, tenure with the company, individual and organizational performance, our retention needs, and internal pay equity. The Compensation Committee does not guarantee that any executive will receive a specific market-derived compensation level.

Executive Compensation Program Components

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

Base Salary

We use base salaries to provide our executive officers, including the Named Executive Officers, with a fixed amount of compensation for their regular work. The Compensation Committee generally reviews the base salaries of our executive officers at the beginning of each fiscal year, as well as in connection with promotions or other changes in responsibilities. Base salary adjustments generally go into effect within the first quarter of each fiscal year. Base salary adjustments are based on an evaluation of peer company data provided by the Compensation Committee's independent compensation consultant, an executive officer's position, tenure with our company, experience with other companies, individual and organizational performance, our retention needs, and internal pay equity.

The Compensation Committee has adopted a general approach of compensating our executive officers with base salaries commensurate with the experience and expertise of the individual executive and competitive

with the median base salaries of executives holding comparable positions among our peer group. The Compensation Committee will take into account the base salaries of comparable executives in our peer group in setting base salaries for our executive officers and may approve increases in base salaries of the relevant executive officers to move them closer to the median of our peer group data for their positions, although such approved base salaries may remain below the median.

In light of the considerations discussed above, for fiscal year 2021, the Compensation Committee increased the base salaries of our Named Executive Officers as follows:

Named Executive Officer	2021 Salary (\$)	Increase Over 2020 (%)
Wahid Nawabi	630,000	5.0
Kevin McDonnell ¹	400,000	n/a
Kenneth Karklin ²	400,000	23.1
Melissa Brown	340,000	4.6
Alison Roelke	270,000	9.3

- Mr. McDonnell was ineligible for an increase to his base salary for fiscal year 2021 because his base salary for fiscal year 2021 was established at the time he was hired in February 2020.*
- Mr. Karklin's base salary for fiscal year 2021 was increased in connection with his promotion to Chief Operating Officer in June 2020 and his expanded responsibilities of overseeing the operations of the entire company.*

We believe that the base salaries paid to our Named Executive Officers during fiscal year 2021 helped to achieve our executive compensation objectives and are competitive with the salaries of the executives holding comparable positions based on the competitive market data provided by Pay Governance based on our peer group.

Annual Cash Bonuses

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

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 our financial results relative to the corporate financial objectives established

EXECUTIVE COMPENSATION AND OTHER INFORMATION

by the Compensation Committee at the beginning of the relevant fiscal year and such other factors as the Compensation Committee may determine in its discretion.

Setting Target Bonus Levels

Initially, the Compensation Committee establishes a “target bonus level” for each non-CEO executive officer and recommends for approval to the board of directors a “target bonus level” for our President and Chief Executive Officer. In setting and recommending these target bonus levels, the Compensation Committee considers the cash compensation of executives holding comparable positions based on the competitive market data provided by its independent compensation consultant based on our peer group. Generally, the Compensation Committee sets and recommends the target bonus levels so that, assuming achievement of the corporate financial objectives at

targeted levels, total annual cash compensation will be competitive with the market median and when above target performance occurs, total cash compensation will be above the median of total cash compensation level of executives holding comparable positions based on the competitive market data provided by its independent compensation consultant based on our peer group. The Compensation Committee believes that this approach is consistent with the high level of growth generally reflected in the corporate performance objectives applicable to the annual bonus determinations.

For fiscal year 2021, the Compensation Committee established the target bonus levels for the Named Executive Officers at the levels indicated in the table below, except for the President and Chief Executive Officer whose target bonus level was recommended by the Compensation Committee and established by the board of directors:

Named Executive Officer	Target Bonus Level	Percentage of Base Salary
Wahid Nawabi	\$630,000	100.0%
Kevin McDonnell	\$250,000	62.5%
Kenneth Karklin	\$250,000	62.5%
Melissa Brown	\$185,000	54.4%
Alison Roelke	\$108,000	40.0%

Establishing Performance Measures

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

Reviewing Performance Results

At the end of the fiscal year, the Compensation Committee reviews our actual performance against the target levels set for each of the corporate financial performance measures established at the beginning of the year.

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

Fiscal Year 2021 Bonuses.

The Compensation Committee selected revenue, operating income and annual bookings as the corporate financial performance measures for the annual bonus plan for our executives based on the recommendation of our Chief Executive Officer and after reviewing the company’s annual operating plan for fiscal year 2021 and the company’s long-term strategic plan. In order for any bonus to be paid, the company was required to achieve the pre-determined thresholds for both revenue and operating income. The targeted corporate financial goal for revenue was above the range of public guidance provided by the company for revenue at the beginning of fiscal year 2021. The annual bookings target for the fiscal year 2021 bonus plan represented a 2.4% increase over the same target included in the fiscal year 2020 bonus plan. Fiscal year 2021 was the first year that operating income was used as a performance metric for the fiscal year 2021 bonus plan. The Compensation Committee weighted each of the three goals— revenue, operating income and annual bookings— equally at 33.3% of the total potential bonus payout.

The Compensation Committee implemented a formulaic sliding scale for the corporate financial performance goals that provides for 0% of the target bonus amount if we do not meet established minimum

levels for both revenue and operating income (but not annual bookings) and for a 200% of target payout if we achieve maximum performance under each of the three performance metrics as set forth in the table below. Therefore, in order to receive any bonus payout, we

were required to achieve both the minimum revenue and operating income levels (but not the minimum level for annual bookings) established by the Compensation Committee for the bonus plan.

Scaled Adjustment of Target Annual Cash Bonus Amounts Based on Total Financial Performance

	Minimum	Target (100% Payout)	Superior (150% Payout)	Maximum (200% Payout)
	(\$ in millions)			
Revenue	376.7	418.5	523.1	627.8
Operating Income	25.9	51.7	64.6	77.6
Annual Bookings	366.6	431.3	539.1	646.9

Below is the actual performance with respect to each goal compared to the target level for each of these goals established by the Compensation Committee for each Named Executive Officer in May 2020:

Percentage of Achievement of Performance Goals

Performance Goal	Performance Goal Target (\$ in millions)	Actual Performance (\$ in millions)	Percentage of Achievement	Payout Percentage	Weighting ¹	Weighted Payout Percentage
Revenue	418.5	394.9	94.4%	43.6%	33.3%	14.5%
Operating Income	51.7 ¹	56.0 ¹	108.2%	116.4%	33.3%	38.8%
Annual Bookings	431.3	351.8	81.6%	0.0%	33.3%	0.0%

- The company's completion of two acquisitions during fiscal year 2021 and substantial completion of one acquisition during the year, which closed on May 3, 2021 just after the end of fiscal year 2021, resulted in approximately \$12.6 million of deal costs, integration costs, and intangible amortization expenses. These additional costs were not included in the original fiscal year 2021 annual operating plan, as these transactions were not contemplated at the time the performance objectives for the fiscal year 2021 annual bonus plan were initially established. In evaluating the company's achievement associated with operating income during fiscal year 2021, the Compensation Committee determined to exclude such acquisition costs from the performance achieved and calculated, resulting \$56.0 million in operating income for annual bonus plan purposes for fiscal year 2021. This resulted in the percentage of achievement and payout percentages described in the table above.*

Based on the foregoing achievement levels, the Compensation Committee determined that our executive officers who participated in our executive annual bonus plan would receive a payout of 53.3% of target. As described above, our Chief Executive Officer (except for himself) awarded a discretionary increase in the bonus payouts to all non-executive employees in fiscal year 2021. Upon recommendation of our Chief Executive Officer, the Compensation Committee awarded a 31.7% discretionary increase in the bonus payouts for all executive officers, which was within the range of discretionary increase awarded to all other employees. The Compensation Committee and board of directors approved the same increase for our Chief Executive Officer. The Compensation Committee believed the discretionary increase was warranted and appropriate due to, as described above under "Executive Summary," the officers' extraordinary leadership during fiscal year 2021, including successfully adapting through the COVID-19 pandemic and remote work configuration while achieving record financial performance and staying on track to meet our future financial goals and customer commitments, and completing and/or consummating two acquisitions and

substantially completing a third acquisition (which closed on May 3, 2021). As a result, each of our Named Executive Officers received a fiscal year 2021 annual bonus equal to 85% of his or her target bonus amount, as set forth in the Summary Compensation Table below.

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 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. As described below, we grant equity awards in the form of restricted stock and PRSUs to our Named Executive Officers as part of our long-term incentive compensation program. We use the restricted stock and PRSUs as long-term incentives because they

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reward our executive officers for superior financial performance, but also encourage executive retention as these awards vest over multiple years and can 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, but 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 approves equity award grants only on the dates of its regularly-scheduled committee meetings, without regard to the timing of the release of material information about us.

Each year, the Compensation Committee will set a total long-term incentive compensation amount for each officer. For Named Executive Officers, a higher percentage of the total amount will be issued in PRSUs, with the percentage allocation to be determined by the Compensation Committee. In setting these total long-term incentive compensation amounts and the financial metric achievement levels for the PRSUs, the Compensation Committee considered the overall compensation of executives holding comparable positions based on the competitive market data provided by its independent compensation consultant based on our peer group.

Generally, the Compensation Committee will set the annual total award amount so that, assuming the full vesting of each restricted stock award and target vesting for the PRSU for the applicable performance period, the total compensation for our Named Executive Officers would be comparable with similarly situated executives at the companies in our peer group.

The Compensation Committee may also grant equity awards to our executive officers in connection with a commencement of employment, promotions or as special incentives where appropriate, in which case the percentage allocations of the awards granted to an executive officer may vary from those listed below for our annual long-term incentive award program. No promotional or special incentive awards were granted in fiscal 2021.

The program consists of a mix of the following:

- *Performance-based Restricted Stock Unit Awards ("PRSUs") (Approximately 65% of Annual Total Long-Term Incentive Compensation Award Value):* PRSUs will vest, if at all, based on the company's

achievement of financial performance metrics established by the Compensation Committee at the time of grant. These metrics are established for a cumulative three-year period. At the time of grant, the Compensation Committee establishes a target achievement level for each of the financial performance metrics associated with the PRSU, at which level the PRSU would vest at 100% for such metric. The Compensation Committee also established a threshold achievement level for each metric for which the PRSU would vest at 50% of target for such metric and a maximum achievement level for which the PRSU would vest at 250% of target for such metric. Achievement below the threshold level of any financial metric would result in no payout for the portion of the PRSU tied to that financial metric. At the end of the applicable three-year performance period and the Compensation Committee's certification of the company's achievement percentage for each financial measure associated with the PRSU, the award will vest and fully-vested shares of the company's common stock will be issued based on the achievement of the financial metrics. A Named Executive Officer is required to be employed on the last day of the applicable three-year performance period in order to be eligible to receive such awards following the Compensation Committee's certification of the company's achievement of such awards.

- In the event of a change in control prior to the last day of the three-year performance period, the number of PRSUs in which a Named Executive Officer will be eligible to vest will be equal to the greater of (1) the target number of PRSUs or (2) the number of PRSUs that would vest if the performance period ended on the date of the change in control and performance was measured as of that date (with the performance objectives adjusted proportionately to reflect the hypothetical shortened performance period). These "vesting eligible" PRSUs will then convert to time-based awards that will vest on the last day of the performance period, subject to the Named Executive Officer's continued employment or service through such date. However, if a Named Executive Officer's employment is terminated by us other than for cause or by the Named Executive Officer for good reason, in each case within 18 months following a change in control, all of the "vesting eligible" PRSUs will vest upon such termination.
- *Time-Based Restricted Stock Awards (Approximately 35% of Annual Total Long-Term Incentive Compensation Award Value):* Restricted stock awards will vest in three annual equal installments beginning approximately one year after the date of grant.

Performance-based Restricted Stock Unit Awards for the FY2021-FY2023 Performance Period. In June 2020, the Compensation Committee granted PRSUs to the Named Executive Officers. The PRSUs will vest based on the company's achievement of cumulative revenue and operating income targets for fiscal years 2021, 2022 and 2023 (such period of time is referred to as the FY2021-FY2023 Performance Period). Set forth below is a list of the Named Executive Officers who were granted PRSUs for the FY2021-FY2023 Performance Period, the target number of RSUs and the maximum number of RSUs subject to each such award. The terms of these awards are consistent with the terms of the PRSUs described above.

Time-Based Restricted Stock Awards. Under our long-term incentive compensation program, in June 2020, the Compensation Committee issued time-based restricted stock awards to our Named Executive Officers for their service during fiscal year 2021. The restricted stock awards vest in three equal annual installments with the first vesting on July 11, 2021. Set forth below is a list of the Named Executive Officers who were issued restricted stock awards in June 2020 and the number of shares underlying such awards. Restricted stock awards granted in connection with a commencement of employment, promotion or other special circumstances may have different vesting terms.

June 2020 Long-Term Incentive Compensation Awards to the Named Executive Officers

Name	Title	RSA (#)	Target PRSUs (#)	Maximum PRSUs (#)	% of Total Long-Term Award Allocated to Performance
Wahid Nawabi	President and Chief Executive Officer	8,974	16,667	41,667	65.0%
Kevin McDonnell	Senior Vice President and Chief Financial Officer	1,817	3,375	8,437	65.0%
Ken Karklin	Senior Vice President and Chief Operating Officer	1,817	3,375	8,437	65.0%
Melissa Brown	Vice President and General Counsel	1,158	2,152	5,380	65.0%
Alison Roelke	Vice President and Chief People Officer	727	1,350	3,375	65.0%

For these awards, the Compensation Committee allocated approximately 65% of the total long-term incentive compensation amounts for each Named Executive Officer who was a Section 16 reporting officer at the time grant to the PRSU performance-based awards.

Payout of Performance-based Restricted Stock Units for the FY2019-FY2021 Performance Period. Following the completion of fiscal year 2021, the Compensation Committee calculated the company's three-year cumulative revenue and operating income for the FY2019-2021 performance period by adding the company's revenue and operating income from continuing operations for fiscal years 2019-2021. Based on these calculations, the Compensation Committee determined that the FY2019-2021

Performance Period PRSUs vested at 107.1% of target based on our financial performance for the FY2019-2021 Performance Period. Below is the actual performance with respect to the revenue and operating income from continuing operations compared to the target levels for each of these financial metrics established by the Compensation Committee in June 2018 for the PRSUs for the FY2019-2021 Performance Period.

Percentage of Achievement of Financial Metrics for FY2019-2021 Performance Period

Performance Goal	Performance Goal Minimum (\$ in millions)	Performance Goal Target (\$ in millions)	Actual Performance (\$ in millions)	Percentage of Achievement	Payout Percentage	Weighting	Total Percentage Payout
Revenue	1,000.4	1053.8	1,076.5	102.2%	52.2%	50.0%	52.2%
Operating Income	98.5	118.4	124.3 ¹	105.0% ¹	54.9%	50.0%	54.9%
							107.1%

1. For purposes of determining the achievement percentage for operating income for the FY2019-2021 PRSUs, no acquisition-related costs were excluded.

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The Compensation Committee then calculated final payouts for the PRSUs for the FY2019-FY2021 Performance Period for the Named Executive Officers as follows:

Name	Title	Target		Shares of Common Stock Issued (#)
		PRSUs (#)	% Payout	
Wahid Nawabi	President and Chief Executive Officer	10,009	107.1%	10,719
Ken Karklin	Senior Vice President and Chief Operating Officer	1,592	107.1%	1,705
Melissa Brown	Vice President and General Counsel	1,364	107.1%	1,460
Alison Roelke	Vice President and Chief People Officer	699	107.1%	748

Other Compensation Practices

Employee Benefit Plans

We maintain various broad-based employee benefit plans for our employees. Except as described below, 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 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 (the "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 year 2021 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 perquisites to certain of our executive officers to ensure that their compensation packages are competitive. As described above, in fiscal year 2021, 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 also paid for the cost of home security systems monitoring for Ms. Brown.

None of our Named Executive Officers received aggregate perquisites in excess of \$10,000 in fiscal year 2021.

Severance Plan

On December 19, 2018, we adopted the AeroVironment, Inc. Executive Severance Plan (the "Severance Plan"), effective January 1, 2019. The Severance Plan was designed to replace the company's prior severance protection agreements with its Named Executive Officers, which agreements expired on December 31, 2018. Each of our Named Executive Officers is subject to the Severance Plan, which provides for the payment of certain benefits to the officer in connection with a change in control and/or the termination of the officer's employment.

The Compensation Committee approved the Severance Plan to ensure our Named Executive Officers continue their employment with us if there is a change of control, or a threatened change in control transaction, and to maintain a competitive total compensation program. Pay Governance LLC, the Compensation Committee's independent compensation consultant, advised the Compensation Committee on market and best practices in the development of the Severance Plan, including providing information regarding plans in place for

executives at companies in our peer group at the time of the Severance Plan's adoption. The Severance Plan has a double trigger mechanism pursuant to which benefits are paid if the officer is terminated by the company without cause or the officer voluntarily terminates his or her employment for good reason within 18 months following a change in control event, or in certain circumstances, within 3 months prior to a change in control event. The Severance Plan also provides for the provision of certain severance benefits if an officer's employment is terminated by the company other than for cause during their eligibility under the Severance Plan and not in connection with a change of control transaction. For additional information on our Severance Plan, see below on page 58 under "Severance Plan."

Stock Ownership Guidelines for Executive Officers

To further link the long-term economic interests of our executive officers directly to that of our stockholders,

our board of directors has adopted stock ownership guidelines for the executive officers. The guidelines provide that the company's executive officers are expected to, within five years of the later of the date of the board's adoption of the guidelines on August 6, 2013 or the date on which such person is appointed to his or her position, own shares of the company's common stock with a market value of no less than four times current annual base salary with respect to our Chief Executive Officer and no less than two times current annual base salary with respect to the other executive officers. The company determines progress toward meeting the applicable ownership thresholds and ongoing compliance with the guidelines on the last day of each fiscal year. The table below shows each executive's equity ownership in the company as a multiple of salary and the minimum ownership level required pursuant to these guidelines for each of our current executive officers as of April 30, 2021:

Name	Dollar Value of Equity Ownership as a Multiple of Base Salary (\$) ¹	Minimum Ownership Level Required as a Multiple of Base Salary
Wahid Nawabi	13.1x	4x
Kevin McDonnell ²	0.1x	2x
Kenneth Karklin	2.5x	2x
Melissa Brown ³	1.8x	2x
Alison Roelke ⁴	0.5x	2x

1. For each executive, calculated by dividing (a) the sum of (1) the aggregate number of shares of vested and unrestricted common stock held by such executive, multiplied by the closing price of \$110.37 per share of our common stock on April 30, 2021, the last trading day of fiscal year 2021, plus (2) the amount by which the market value of the shares of common stock underlying vested stock options held by such executive exceeds the exercise price of such stock options, if any, by (b) such executive's base salary.
2. Mr. McDonnell was appointed as our Chief Financial Officer effective February 10, 2020. He has until February 10, 2025 to satisfy the minimum ownership level required under our stock ownership guidelines.
3. Ms. Brown was appointed as an executive officer on September 28, 2017. She has until September 28, 2022 to satisfy the minimum ownership level required under our stock ownership guidelines.
4. Ms. Roelke was appointed as an executive officer on September 27, 2019. She has until September 27, 2024 to satisfy the minimum ownership level required under our stock ownership guidelines.

Compensation Recovery Policy

We have implemented an incentive compensation "clawback" policy under which our board of directors may require reimbursement or forfeiture of incentive compensation from an executive officer in the event the officer's wrongdoing later is determined by our board of directors to have resulted in a material negative restatement of the company's financial results. We believe that by providing the company with the appropriate power to recover incentive compensation paid to an executive officer in this situation, the company further demonstrates its commitment to strong corporate governance. This compensation recovery policy is in addition to any policies or recovery

rights that are provided under applicable laws, including the Sarbanes-Oxley Act and the Dodd-Frank Act.

Under our compensation recovery policy, if the board of directors determines that a material negative financial restatement was caused by an executive officer's gross negligence or willful misconduct, it may require reimbursement from the executive officer for vested incentive compensation and/or the forfeiture of unvested or unpaid incentive compensation. The amount of vested compensation that may be recovered is the portion of any bonus paid to, and any performance-based equity awards earned by, the executive officer that the executive officer would not have received if the company's financial results had been reported properly. The right to cause a forfeiture

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or recovery of incentive compensation applies to incentive compensation awarded, vested and/or paid during the two years prior to the date on which the company is required to prepare an accounting restatement.

Post-Vesting Stock Retention Guidelines

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

Insider Trading and Anti-Hedging and Anti-Pledging Policies

The company's insider trading policies contain stringent restrictions on transactions in company stock by executive officers. All trades by executive officers must be pre-cleared. Furthermore, no executive officer may use any strategies or products (including derivative securities, such as put or call options, or short-selling techniques) to hedge against potential changes in the value of our common stock. Additionally, executive officers may not pledge company stock as collateral or hold any shares of company stock in a margin account.

No Tax Gross-Ups

We do not provide tax gross-ups with regard to any compensation, benefit or perquisite paid by us to our Named Executive Officers.

Independent Compensation Consultant

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

Say-on-Pay Votes

In September 2020, we held a stockholder advisory vote on the compensation of our Named Executive Officers, commonly referred to as a say-on-pay vote. Our stockholders overwhelmingly approved the compensation of our Named Executive Officers, with over 98% of stockholder votes cast in favor of our 2020 say-on-pay resolution (excluding abstentions and broker non-votes). As we evaluated our compensation practices and talent needs since that time and during fiscal year 2021, we were mindful of the strong support our stockholders expressed for our compensation program. As a result, following our annual review of our executive compensation program, the Compensation Committee decided to generally retain our existing approach to executive compensation for our continuing executives, with an emphasis on short- and long-term incentive compensation that rewards our senior executives when they deliver value for our

stockholders, and continue the practice established during fiscal year 2019 of removing individual performance from consideration under our annual bonus plan. At this 2021 annual meeting of stockholders, the stockholders will vote, on an advisory basis, on the compensation of our Named Executive Officers. The Compensation Committee and board of directors value stockholder opinions and will take into account the outcome of this year's advisory vote in making future decisions on executive compensation.

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

Tax and Accounting Considerations

Deductibility of Executive Compensation

Generally, Section 162(m) of the 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 "covered employees."

The Compensation Committee believes that stockholder interests are best served by not restricting the Compensation Committee's discretion and flexibility in constructing 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.

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 of the Code during fiscal year 2021 and we have not agreed and are not otherwise

obligated to provide any Named Executive Officer with such a “gross-up” or other reimbursement.

Accounting for Stock-Based Compensation

We follow Financial Accounting Standards Board Accounting Standards Codification Topic 718, 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

In May 2020, Pay Governance conducted a risk assessment of our executive compensation policies and practices. Based on this assessment, Pay Governance concluded that none of our executive compensation programs and features are likely to cause material harm to the company. Our compensation policies and practices for the rest of our employees does not differ significantly from the compensation policies and practices of our non-executive employees and management assessed such non-executive programs and similarly concluded that none of our non-executive compensation programs are likely to cause material harm to the company. 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 further believe that we have an effective system of controls and procedures in place to ensure that our employees, including our executive officers, are not encouraged to take unnecessary or excessive risks in managing our business. In addition, our compensation recovery policy provides our board of directors with an additional risk mitigation tool by allowing the board to hold employees accountable for improper actions that run

counter to the company’s objectives or inflate incentive compensation payable to executives. Likewise, our stock ownership guidelines for executives help to further align executive interests with those of stockholders and provide an additional risk mitigation tool.

In reaching this conclusion, we note the following policies and practices that are intended to enable us to effectively monitor and manage the risks associated with our compensation programs:

- Most of our incentive compensation plans, including our annual cash bonus program, permit the Compensation Committee to exercise its discretion to select performance measures and set target levels, monitor performance and determine final payouts;
- Each of our compensation programs is subject to oversight by a broad-based group of functions within the company, including people & culture, finance and legal, and at multiple management levels within the company;
- Employee compensation reflects a balanced mix of 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;
- There are caps on the maximum payouts available under certain programs, including our annual cash bonus program and our long-term incentive program;
- Amounts of actual cash bonuses tied to performance are paid based upon multiple performance objectives, reducing the risk associated with any single indicator of performance; and
- Equity awards granted to employees are subject to multi-year, service-based and/or performance-based vesting conditions.

The Compensation Committee discussed the findings of the risk assessments with Pay Governance and company management. Based upon these assessments, we believe that our compensation policies and practices do not encourage unnecessary or excessive risk taking and are not reasonably likely to have a material adverse effect on the company.

EXECUTIVE COMPENSATION TABLES

Summary Compensation Table

The following table sets forth the compensation paid to or earned by (a) each person who served as Chief Executive Officer or Chief Financial Officer during fiscal year 2021, and (b) 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 2021 whose compensation exceeded \$100,000 (collectively, the “Named Executive Officers”).

Name and Principal Positions	Year	Salary (\$)	Bonus (\$) ¹	Stock Awards (\$) ²	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$) ³	All Other Compensation (\$) ⁴	Total (\$)
Wahid Nawabi President and Chief Executive Officer	2021	632,319	199,080	1,333,024	—	336,433	23,917	2,524,773
	2020	606,941	212,500	1,673,402	—	546,294	17,807	3,056,944
	2019	624,249 ⁵	1,500	590,667	—	818,805	16,886	2,052,107
Kevin McDonnell Senior Vice President and Chief Financial Officer	2021	401,543	79,000	269,917	—	133,505	12,976	896,941
	2020	92,309	2,500	249,981	—	75,000	1,151	420,941
Kenneth Karklin Senior Vice President and Chief Operating Officer	2021	401,255	79,000	269,917	—	133,505	17,422	901,099
	2020	356,221 ⁶	72,500	319,882	—	182,098	15,066	945,767
	2019	250,670	1,500	93,938	—	204,701	14,526	565,335
Melissa Brown Vice President, General Counsel, Chief Compliance Officer & Secretary	2021	342,003	58,460	172,063	—	98,794	16,982	688,302
	2020	353,251 ⁶	63,750	246,059	—	159,336	17,881	840,277
	2019	300,282	1,500	80,466	—	136,467	17,506	536,221
Alison Roelke Vice President and Chief People Officer	2021	270,955	34,128	107,982	—	57,674	17,512	488,251
	2020	280,533 ⁶	27,000	148,187	—	81,300	18,890	555,909

- For all years except fiscal year 2019, this column reflects the discretionary portion of the cash bonuses paid to the Named Executive Officers under our annual executive cash bonus plan during the applicable fiscal year. For fiscal years 2019 and 2020, the amount also includes a special bonus of \$1,500 and \$2,500, respectively, that was given to all similarly situated company employees employed as of the end of the applicable fiscal year.
- The value of the equity awards equals their grant date fair value as computed in accordance with ASC Topic 718 and, with respect to the PRSUs, was determined based on the probable achievement of the applicable performance objectives as of the grant date. For additional information regarding the valuation assumptions used in the calculation of these amounts, refer to Notes 14 and 15 to the financial statements included in our annual report on Form 10-K for our fiscal year ended April 30, 2021, as filed with the SEC. The amounts shown in the table do not necessarily reflect the actual value that may be received by the Named Executive Officers. The value reported for PRSUs granted in the applicable fiscal year reflects the value of the award at the grant date based upon the probable achievement of their vesting conditions, which was determined to be 50.0%, 97.6%, and 28.8% of the target levels for the fiscal year 2021, fiscal year 2020, and fiscal year 2019 awards, respectively.

The full grant date fair value of the PRSUs granted in our 2021 fiscal year, assuming that the highest level of performance will be achieved in each case, is set forth in the table immediately below. For more information about the PRSU awards granted to the Named Executive Officers during fiscal year 2021, please see the Grants of Plan Based Awards Tables below.

Name	Grant Date Fair Value of PRSUs Granted in June 2020 for FY 2021-2023 Performance Period (\$)
Wahid Nawabi	3,209,192
Kevin McDonnell	649,818
Kenneth Karklin	649,818
Melissa Brown	414,368
Alison Roelke	259,943

3. This column reflects the portion of the cash bonuses paid to the Named Executive Officers under our annual executive cash bonus plan for performance relative to the company financial and other objectives during the applicable fiscal year.
4. For fiscal year 2021 the amounts of all other compensation include (a) our matching contributions to the 401(k) Plan and (b) life insurance premiums. The amounts for 401(k) matching contributions and life insurance premiums are below; none of our Named Executive Officers received aggregate perquisites in excess of \$10,000 in fiscal year 2021.

Name	Year	401(k) Matching Contributions	Life	Total
Wahid Nawabi	2021	22,627	1,290	23,917
Kevin McDonnell	2021	10,135	2,841	12,976
Kenneth Karklin	2021	16,132	1,290	17,422
Melissa Brown	2021	16,422	561	16,982
Alison Roelke	2021	16,670	841	17,512

5. Includes \$23,078 of cash paid for unused accrued vacation.
6. Includes a vacation cash out in connection with the individuals transitioning to the company's new discretionary paid time off program in the following amounts: Mr. Karklin, \$30,424; Ms. Brown, \$26,344; and Ms. Roelke, \$29,759.

EXECUTIVE COMPENSATION TABLES

Grants of Plan-Based Awards

The following table provides information with respect to plan-based awards granted to the Named Executive Officers during fiscal year 2021.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards, (\$) ²
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#) ¹	Target (#) ¹	Maximum (#) ¹		
<i>Equity Awards</i>									
Wahid Nawabi	6/26/20 ³	—	—	—	—	—	—	8,974 ⁴	691,177
Wahid Nawabi	6/26/20 ³	—	—	—	8,333	16,667	41,667	—	641,846
Kevin McDonnell	6/26/20 ³	—	—	—	—	—	—	1,817 ⁴	139,945
Kevin McDonnell	6/26/20 ³	—	—	—	1,687	3,375	8,437	—	129,971
Kenneth Karklin	6/26/20 ³	—	—	—	—	—	—	1,817 ⁴	139,945
Kenneth Karklin	6/26/20 ³	—	—	—	1,687	3,375	8,437	—	129,971
Melissa Brown	6/26/20 ³	—	—	—	—	—	—	1,158 ⁴	89,189
Melissa Brown	6/26/20 ³	—	—	—	1,076	2,152	5,380	—	82,874
Alison Roelke	6/26/20 ³	—	—	—	—	—	—	727 ⁴	55,994
Alison Roelke	6/26/20 ³	—	—	—	675	1,350	3,375	—	51,989
<i>Annual Executive Cash Bonus Plan⁵</i>									
Wahid Nawabi		315,000	630,000	1,260,000	—	—	—	—	—
Kevin McDonnell		125,000	250,000	500,000	—	—	—	—	—
Kenneth Karklin		125,000	250,000	500,000	—	—	—	—	—
Melissa Brown		92,500	185,000	370,000	—	—	—	—	—
Alison Roelke		54,000	108,000	216,000	—	—	—	—	—

1. Represents number of shares of common stock issuable at threshold, target and maximum achievement levels for each of the Named Executive Officers under PRSUs for the FY2021-FY2023 Performance Period (issued on June 26, 2020). The determinations of the shares of common stock that will be issuable to the Named Executive Officers following completion of the performance period upon settlement of the PRSUs are described in the Compensation Discussion and Analysis section above. The actual number of shares of common stock issued to our Named Executive Officers following the conclusion of the performance period will be based on our performance relative to the financial goals for the performance period. Threshold, target and maximum numbers assume achievement of each of the financial metrics for the applicable performance period at the threshold, target and maximum levels, respectively.
2. The value of the equity awards equals their grant date fair value as computed in accordance with ASC Topic 718 and, with respect to the PRSUs, was determined based on the probable achievement of the applicable performance objectives as of the grant date. For additional information regarding the valuation assumptions used in the calculation of these amounts, refer to Notes 14 and 15 to the financial statements included in our annual report on Form 10 K for our fiscal year ended 2021, as filed with the SEC. The value reported for PRSUs granted in June 2020 reflects the value of the award at the grant date based upon the probable achievement of their vesting conditions, which was determined to be 50.0%.
3. Awards were approved by the Compensation Committee for non-CEO Named Executive Officers on June 16, 2020, with a grant date of June 26, 2020. Awards were approved by the board of directors for the Chief Executive Officer on June 17, 2020, with a grant date of June 26, 2020.
4. The restricted stock awards vest in three equal annual installments, with the first installment vesting on July 11, 2021.
5. Unless otherwise noted, the Compensation Committee established maximum cash bonus and target bonus levels for the Named Executive Officers under our annual executive cash bonus plan in May 2020. The determination of the bonuses payable to the Named Executive Officers for fiscal year 2021 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.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information with respect to equity awards held by each of the Named Executive Officers as of April 30, 2021.

Name	Option Awards						Stock Awards			
	Grant Date	Number of Securities Underlying Unexercised Options ¹		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 (\$) ²	Equity Incentive Plan Awards:		
		Exercisable (#)	Unexercisable (#)					Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ²	
Wahid Nawabi	6/26/20 ³	—	—	—	—	8,974 ⁴	990,460	—	—	
	6/26/20 ³	—	—	—	—	—	—	41,667 ⁵	4,598,787 ⁵	
	6/28/19 ⁶	—	—	—	—	6,987 ⁷	771,155	—	—	
	6/28/19 ⁶	—	—	—	—	—	—	38,928 ⁵	4,296,483 ⁵	
	6/29/18 ⁸	—	—	—	—	1,796 ⁹	198,225	—	—	
	6/24/15	50,000	—	26.70	6/24/25	—	—	—	—	
	8/1/14	16,164	—	31.27	8/1/24	—	—	—	—	
4/22/13	30,000	—	18.07	4/22/23	—	—	—	—		
Kevin McDonnell	6/26/20 ³	—	—	—	—	1,817 ⁴	200,542	—	—	
	6/26/20 ³	—	—	—	—	—	—	8,437 ⁵	931,192 ⁵	
	3/6/20 ¹⁰	—	—	—	—	3,270 ¹¹	360,910	—	—	
Kenneth Karklin	6/26/20 ³	—	—	—	—	1,817 ⁴	200,542	—	—	
	6/26/20 ³	—	—	—	—	—	—	8,437 ⁵	931,192 ⁵	
	6/28/19 ⁶	—	—	—	—	1,335 ⁷	147,344	—	—	
	6/28/19 ⁶	—	—	—	—	—	—	7,442 ⁵	821,374 ⁵	
	6/29/18 ⁸	—	—	—	—	286 ⁹	31,567	—	—	
Melissa Brown	6/26/20 ³	—	—	—	—	1,158 ⁴	127,808	—	—	
	6/26/20 ³	—	—	—	—	—	—	5,380 ⁵	593,791 ⁵	
	6/28/19 ⁶	—	—	—	—	1,027 ⁷	113,350	—	—	
	6/28/19 ⁶	—	—	—	—	—	—	5,724 ⁵	631,758 ⁵	
	6/29/18 ⁸	—	—	—	—	245 ⁹	27,041	—	—	
Alison Roelke	6/26/20 ³	—	—	—	—	727 ⁴	80,239	—	—	
	6/26/20 ³	—	—	—	—	—	—	3,375 ⁵	372,499 ⁵	
	6/28/19 ⁶	—	—	—	—	881 ⁷	97,236	—	—	
	6/28/19 ⁶	—	—	—	—	—	—	2,642 ⁵	291,598 ⁵	
	6/29/18 ⁸	—	—	—	—	233 ⁹	25,716	—	—	

1. Except as otherwise noted, all stock option awards vest in five equal annual installments beginning on the first anniversary of the date of grant.
2. Calculated using the closing price per share of our common stock of \$110.37 on April 30, 2021.
3. Awards were approved by the board of directors for Mr. Nawabi on June 17, 2020, with a grant date of June 26, 2020. Awards were approved by the Compensation Committee for all other Named Executive Officers on June 16, 2020, with a grant date of June 26, 2020.
4. Unvested shares vest in three equal installments on July 11, 2021, 2022 and 2023.
5. Represents the number of shares of common stock and the value of such shares that may be issued to the Named Executive Officers under PRSUs for the FY2020-2022 Performance Period (issued on June 28, 2019) and the FY2021-2023 Performance Period (issued June 26, 2020) at maximum performance. Provided that the performance goals for the FY2020-2022 Performance Period and the FY2021-2023 Performance Period are achieved, the Named Executive Officers' PRSUs will be settled in fully vested shares of common stock. If target or maximum performance is achieved for either performance period, the respective number of shares of common stock that would be issued for each performance period and the value of such shares as of April 30, 2021 would be as follows:

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	FY2020-2022 Performance Period				FY2021-2023 Performance Period			
	Target Number	Target Value (\$)	Maximum Number	Maximum Value (\$)	Target Number	Target Value (\$)	Maximum Number	Maximum Value (\$)
Wahid Nawabi	19,464	2,148,242	38,928	4,296,483	16,667	1,839,537	41,667	4,598,787
Kevin McDonnell	—	—	—	—	3,375	372,499	8,437	931,192
Kenneth Karklin	3,721	410,687	7,442	821,374	3,375	372,499	8,437	931,192
Melissa Brown	2,862	315,879	5,724	631,758	2,152	237,516	5,380	593,791
Alison Roelke	1,321	145,799	2,642	291,598	1,350	149,000	3,375	372,499

The actual number of shares of common stock issued to our Named Executive Officers following the conclusion of a performance period will be based on our performance relative to the financial goals for that performance period. The value of the shares of common stock that may be received by an executive will depend on our stock price on the settlement date.

- Awards were approved by the board of directors for Mr. Nawabi on June 20, 2019, with a grant date of June 28, 2019. Awards were approved by the Compensation Committee for all other Named Executive Officers on June 19, 2019, with a grant date of June 28, 2019.
- Unvested shares vest in two equal installments on July 11, 2021 and 2022.
- Awards were approved by the board of directors for Mr. Nawabi on June 21, 2018, with a grant date of June 29, 2018. Awards were approved by the Compensation Committee for all other Named Executive Officers on June 20, 2018, with a grant date of June 29, 2018.
- Unvested shares vested on July 11, 2021.
- Awards were approved by the Compensation Committee on February 28, 2020, with a grant date of March 6, 2020.
- The award vests in five equal annual installments with the first installment vesting on April 4, 2021.

Option Exercises and Stock Vested in Fiscal Year 2021

The following table provides information on option exercises and stock award vesting for each of the Named Executive Officers during fiscal year 2021.

Name	Option Exercises		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#) ¹	Value Realized on Vesting (\$) ¹
Wahid Nawabi	—	—	21,147	1,979,964
Kevin McDonnell	—	—	818 ²	97,628 ²
Kenneth Karklin	—	—	4,494	401,316
Melissa Brown	—	—	2,523	242,375
Alison Roelke	—	—	1,998	181,496

- Unless otherwise noted, includes shares of restricted stock that vested during fiscal year 2021 and shares issued for the vesting of the PRSUs for the FY2019-FY2021 Performance Period that vested on July 2, 2021, which awards were settled on such date following the Compensation Committee's certification of company financial performance for the FY2019-FY2021 Performance Period; see page 48 for information on such awards. The value of such PRSUs was calculated using the closing price per share of our common stock of \$110.37, the closing price of our common stock on April 30, 2021, the date on which such awards were deemed vested for purposes of this table. The closing price per share of our common stock on July 2, 2021, the date of settlement of the PRSUs, was \$97.69.
- Mr. McDonnell was not a Named Executive Officer of the company when the PRSUs for the FY2019-FY2021 Performance Period were granted. Thus, Mr. McDonnell was not awarded any PRSUs for such period and the shares acquired and value realized upon vesting does not include the vesting of any PRSUs.

Payments Upon Termination or Change of Control

Severance Plan

On December 19, 2018, we adopted the AeroVironment, Inc. Executive Severance Plan (the “Severance Plan”), effective January 1, 2019. The Severance Plan was implemented to replace the company’s prior severance protection agreements with its Named Executive Officers, which agreements expired on December 31, 2018. The Compensation Committee relied upon an analysis of severance practices for our peer companies provided by Pay Governance in determining the terms of the new Severance Plan.

Each of our Named Executive Officers is subject to the Severance Plan. The Severance Plan provides for the payment of certain benefits to each such officer in connection with a change in control and/or the termination of the officer’s employment by reason of death or “disability,” by the company without “cause,” or by the officer for “good reason,” in certain cases in connection with a “change in control” (in each case as defined in the Severance Plan), as summarized below. Except as noted below, the terms of the severance payments and other benefits provided to each of the company’s Named Executive Officers under the Severance Plan are identical, and the Severance Plan does not provide for a gross-up of severance benefits in the event that excise taxes under Section 280G of the Internal Revenue Code of 1986, as amended.

The terms of the Severance Plan are as follows:

- (a) Upon termination of the officer’s employment by the company without cause, and in the event there is no change in control of the company within 3 months after or 18 months before termination of the officer’s employment, the officer is entitled to receive: (i) 1.0x the sum of his or her base salary and annual target bonus for the fiscal year in which termination occurs or for the previous fiscal year if the annual target bonus for the fiscal year has not yet been set (1.5x for the company’s Chief Executive Officer), (ii) a prorated target bonus for the fiscal year in which termination occurs, and (iii) the continuation of certain employee welfare plan benefits, including for his or her dependents and beneficiaries, for a period of 12 months following the termination date or until the officer becomes eligible for equivalent benefits from a subsequent employer.
- (b) Upon termination of the officer’s employment by the company without cause or by the officer for good reason within 3 months before a change in control, the officer is entitled to receive: (i) 1.5x the sum of his or her base salary and annual target bonus for the fiscal year in which termination occurs or for the previous fiscal year if the annual target bonus for the fiscal year has not yet been set (2.5x for the company’s Chief Executive Officer), (ii) a prorated target bonus for the fiscal year in which termination occurs, (iii) acceleration of vesting and exercisability of restricted stock awards and options, (iv) the continuation of certain employee welfare plan benefits, including for his or her dependents and beneficiaries, for a period of 12 months following the termination date or until the officer becomes eligible for equivalent benefits from a subsequent employer, and (v) outplacement services for a period of 12 months following the termination date or until the first acceptance by the officer of an offer of employment, whichever comes first.
- (c) Upon termination of the officer’s employment by the company without cause or by the officer for good reason within 18 months after a change in control, the officer is entitled to receive: (i) 1.5x the sum of his or her base salary and annual target bonus for the fiscal year in which termination occurs or for the previous fiscal year if the annual target bonus for the fiscal year has not yet been set (2.5x for the company’s Chief Executive Officer), (ii) a prorated target bonus for the fiscal year in which termination occurs, (iii) acceleration of vesting and exercisability of restricted stock awards and options, (iv) vesting of any performance-based restricted stock units still eligible to vest, (v) the continuation of certain employee welfare plan benefits, including for his or her dependents and beneficiaries, for a period of 12 months following the termination date or until the officer becomes eligible for equivalent benefits from a subsequent employer, and (vi) outplacement services for a period of 12 months following the termination date or until the first acceptance by the officer of an offer of employment, whichever comes first.
- (d) If the officer’s employment is terminated by reason of the officer’s death or disability: (i) 1.0x the sum of his or her base salary and annual target bonus for the fiscal year in which termination occurs or for the previous fiscal year if the annual target bonus for the fiscal year has not yet been set (1.5x for the company’s Chief Executive Officer), (ii) a prorated target bonus for the fiscal year in which termination occurs, and (iii) the continuation of certain employee welfare plan benefits, including for his or her dependents and beneficiaries,

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for a period of 12 months following the termination date or until the officer becomes eligible for equivalent benefits from a subsequent employer.

To receive the severance benefits described above, the officer must execute a full release of any and all claims against the company and comply with certain other obligations specified in the Severance Plan.

For purposes of the Severance Plan, “change in control” of the company generally means, subject to certain exceptions, (a) the consummation of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the company’s assets unless all or substantially all the beneficial owners prior to such transaction immediately own more than 50% of the combined outstanding voting power of the entity resulting from the transaction; (b) individuals who at the beginning of any two year period constitute the company’s board of directors cease for any reason to constitute at least a majority of the board of directors; (c) the acquisition by any person of beneficial ownership of 30% or more of the outstanding voting power of the company; or (d) the approval by the company’s stockholders of a complete liquidation or dissolution of the company.

For purposes of the Severance Plan, “good reason” means, unless defined in an officer’s offer letter or other applicable employment agreement, (a) (i) any material adverse change in an officer’s authority, duties, or responsibilities (including reporting responsibilities) from such officer’s authority, duties, and responsibilities as in effect at any time within three months preceding the date of a change in control or at any time thereafter, or (ii) if such officer is an executive officer of the company a significant portion of whose responsibilities relate to the company’s status as a public company, such officer’s failure to continue to serve as an executive officer of a public company, in each case except in connection with the termination of such officer’s employment for disability, for cause, death, or by the officer other than for good reason; (b) a material reduction in base salary; (c) the imposition of a requirement that an officer be based at any place outside a 60-mile radius from his or her principal place of employment immediately prior to a change in control except for reasonably required travel on company business that is not materially greater in frequency or duration than prior to the change in control; or (d) any material breach by the company of the Severance Plan or of any applicable employment agreement. In order to terminate for good reason, an officer must (a) reasonably determine in good faith that a good reason condition has occurred; (b) notify the company in writing of the occurrence of the condition within 90 days; (c) cooperate in good faith with the company’s efforts, for a period of not less than 30 days following such notice, to remedy the condition (after which time the condition still exists); and (d) terminate employment within 60 days after that remedy period.

For purposes of the Severance Plan, “cause” means, unless defined in an officer’s offer letter or other applicable employment agreement, (a) being convicted for committing an act of fraud, embezzlement, theft, or other act constituting a felony (other than traffic-related offenses or as a result of vicarious liability); (b) willfully engaging in illegal conduct or gross misconduct that would (i) adversely affect the business or the reputation of the company or any of its affiliates with their respective current or prospective customers, suppliers, lenders, or other third parties with whom such entity does or might do business or (ii) expose the company or any of its affiliates to a risk of civil or criminal legal damages, liabilities, or penalties; however, no act or failure to act on the officer’s part will be considered “willful” unless done or omitted to be done by such officer not in good faith and without reasonable belief that such officer’s action or omission was in the best interest of the company; or (c) an officer’s failing to perform his or her duties in a reasonably satisfactory manner after the receipt of a notice from the company detailing such failure if the failure is incapable of cure, and if the failure is capable of cure, upon the failure to cure such failure within 30 days of such notice or upon its recurrence.

Potential Payments Upon Termination or Change in Control

Summary of Potential Payments Upon Termination (As of April 30, 2021)

The table below sets forth the estimated payments to be made to each Named Executive Officer under the Severance Plan in the event of the officer's involuntary termination by the company without cause, termination by reason of death or disability, in each case not within the change in control protection period provided in the Severance Plan. The following table assumes that such termination occurred on April 30, 2021.

Name	Cash Severance ¹ (\$)	Benefits Continuation ² (\$)	Total (\$)
Wahid Nawabi	2,520,000	28,616	2,548,616
Kevin McDonnell	900,000	28,616	928,616
Kenneth Karklin	900,000	38,280	938,280
Melissa Brown	710,000	14,027	724,027
Alison Roelke	486,000	28,616	514,616

1. Cash severance was calculated using the base salary in effect for each officer on April 30, 2021, the target annual bonus for each officer for fiscal year 2021 plus a pro rata annual bonus equal to the target annual bonus for fiscal year 2021.
2. The benefit continuation payment is based on premium costs as of April 30, 2021.

Summary of Potential Payments Upon Change in Control (As of April 30, 2021)

The table below sets forth the estimated payments to be made to each Named Executive Officer under the Severance Plan in the event of the officer's involuntary termination by the company without cause or the officer's voluntary termination for good reason within 18 months after a change in control. The following table assumes that such termination, and a corresponding change in control, occurred on April 30, 2021.

Name	Cash Severance ¹ (\$)	Benefits Continuation ² (\$)	In-the-Money Value of Accelerated Stock Options (\$)	Other Benefits		Total Value of Change-in-Control Related Benefits (\$)
				Value of Accelerated Restricted Stock Awards ³ (\$)	Value of Accelerated Restricted Stock Unit Awards ⁴ (\$)	
Wahid Nawabi	3,780,000	28,616	—	1,959,840	3,987,778	9,756,235
Kevin McDonnell	1,225,000	28,616	—	561,452	372,499	2,187,567
Kenneth Karklin	1,225,000	38,280	—	379,452	783,186	2,425,918
Melissa Brown	972,500	14,027	—	268,199	553,395	1,808,121
Alison Roelke	675,000	28,616	—	203,191	294,798	1,201,606

1. Cash severance was calculated using the base salary in effect for each officer on April 30, 2021, the target bonus for each officer for fiscal year 2021 and a pro rata annual bonus equal to the target annual bonus for fiscal year 2021.
2. The benefit continuation payment is based on premium costs as of April 30, 2021. The benefits continuation column excludes outplacement benefits which we are not able to quantify at this time. We expect the amount of outplacement benefits to be immaterial.
3. Amounts in respect of restricted stock awards were determined by multiplying the number of restricted stock awards that would have vested upon such employment termination by \$110.37, the closing price of our common stock on April 30, 2021.
4. Amounts in respect of restricted stock unit awards were determined by multiplying the target number of shares of common stock underlying such restricted stock units that would have vested upon such employment termination by \$110.37, the closing price of our common stock on April 30, 2021. In the event of a change in control prior to the last date of the applicable three-year performance period, the number of PRSUs that will be eligible to vest will be equal to the greater of (1) the target number of PRSUs or (2) the number of PRSUs that would vest if the performance period ended on the date of the change in control and performance was measured as of that date (with the performance objectives adjusted proportionately to reflect the hypothetical shortened performance period). These "vesting eligible" PRSUs will then convert to time based awards that will vest on the last day of the performance period, subject to the Named Executive Officer's continued employment or service through such date. However, if a Named Executive Officer's employment is terminated by us other than for cause or by the Named Executive Officer for good reason, in each case within 18 months following a change in control, all of the "vesting eligible" PRSUs will vest upon such termination. For purposes of the table, amounts in respect of PRSUs were determined by multiplying the target number of shares

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of common stock underlying such PRSUs that would have vested upon such employment termination by \$110.37, the closing price of our common stock on April 30, 2021. Includes amounts for vesting of PRSUs for the FY2020-FY2022 Performance Period and the FY2021-FY2023 Performance Period. Excludes PRSUs for the FY2019-FY2021 Performance Period, which would vest according to their terms based on the company's actual performance for the applicable performance period.

Fiscal Year 2021 Pay Ratio

Under the Dodd-Frank Act, we are required to disclose the ratio of the total annual compensation of our CEO to that of our median employee. The SEC rules promulgated pursuant to the Dodd-Frank Act require disclosure of the median of the annual total compensation of all of the company's employees, excluding our CEO; the annual total compensation of our CEO; and the ratio of the amount of our CEO's annual compensation to the amount of the median employee's annual total compensation.

SEC rules provide that we may use the same median employee for three years before identifying a new median employee, provided that during our last completed fiscal year there has been no change in our employee population or employee compensation arrangements that we reasonably believe would result in a significant change to our pay ratio disclosure. We do not believe that there has been a change to our employee population or our employee compensation arrangements in fiscal year 2021 that would result in a significant change to our pay ratio disclosure. However, we were unable to use our prior median employee for our analysis due to the employee no longer being employed by the company at the end of fiscal year 2021. As such, as permitted by the rules, we selected our median employee for fiscal year 2021 by identifying another active employee whose compensation is substantially similar to the original median employee based upon the compensation measure used to select the prior median employee in fiscal year 2019.

In selecting our new median employee for fiscal year 2021, we used the same methodologies, material assumptions, adjustments, and other estimates used in our prior pay ratio disclosure for fiscal year 2019. Therefore, to calculate the CEO pay ratio for our fiscal year 2021, in identifying our median employee in 2021, we selected April 30, 2019, the last day of our fiscal year 2019, as the date upon which our median employee for fiscal year 2021 was identified. In our analysis to identify the median employee, we included all employees employed as of April 30, 2019, excluding our CEO. We identified the median employee based on the sum of regular and overtime wages paid for fiscal year 2019 and the bonus paid pursuant to the company's fiscal year 2019 bonus program. The company did not annualize the compensation of any employees hired during fiscal year 2019.

Using the compiled data, we determined that the fiscal year 2021 annual total compensation of our median employee was \$112,227 and that Mr. Nawabi's annual total compensation for fiscal year 2021 was \$2,524,773, both of which were calculated in accordance with Item 402(c) of Regulation S-K. The ratio of these amounts was 22.5:1.

AUDIT MATTERS

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. Deloitte & Touche LLP, acting as our independent registered public accounting firm for the fiscal year ending April 30, 2021, 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 Deloitte & Touche 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, 2021 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 Auditing Standard No. 1301, "Communication with Audit Committees", as adopted by the Public Company Accounting Oversight Board.
- (3) The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, 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, 2021, for filing with the SEC.

Audit Committee
Edward R. Muller (Chair)
Stephen F. Page
Catharine Merigold

PROPOSAL 2. RATIFICATION OF SELECTION OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our board of directors has selected Deloitte & Touche LLP to serve as our independent registered public accounting firm for the fiscal year ending April 30, 2022. Deloitte & Touche LLP served as our independent registered public accounting firm for the fiscal year ended April 30, 2021.

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

Representatives of Deloitte & Touche 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 THE SELECTION OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING APRIL 30, 2022.

Fees Paid to Independent Auditors

We engaged Deloitte & Touche, LLP as our independent registered public accounting firm for the fiscal year ended April 30, 2021, 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 Deloitte & Touche, LLP for such fiscal year. The following table shows the fees for audit and other services provided by Deloitte & Touche LLP for the fiscal year ended April 30, 2020 and fiscal year ended April 30, 2021.

	FY2021 Fees	FY2020 Fees
Audit Fees	\$739,624	\$745,000
Audit-Related Fees	39,571	—
Tax Fees	—	—
All Other Fees	1,895	7,841
Total	\$781,090	\$752,841

Audit Fees. This category includes fees associated with our annual audit and the audit of internal control over financial reporting, the review of the company's quarterly reports on Form 10-Q and statutory audits required internationally.

Audit-Related Fees. This category includes fees for services that are reasonably related to the performance of the audit or review of financial statements but are not included in "Audit Fees."

Tax Fees. This category consists of fees for tax advice, planning and compliance principally in connection with the preparation of our tax returns and assistance with governmental tax audits.

All Other Fees. This category consists of fees for services that are not included in the above categories and primarily includes fees for obtaining access to an online accounting research tool.

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.

PROPOSAL 3. ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

We are providing our stockholders with the opportunity to cast an advisory vote on the compensation of our Named Executive Officers. This advisory vote on executive compensation, commonly known as “Say-on-Pay,” is advisory in nature, and it is not binding on us or our board of directors. This vote provides our stockholders with the opportunity to express their view on our 2021 executive compensation programs and policies for such officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this proxy statement. Although the vote is non-binding, our Compensation Committee and board of directors value the opinions of the stockholders and will consider the outcome of the vote when making future compensation decisions.

As described more fully in the Compensation Discussion and Analysis section of this proxy statement, our executive compensation program is designed to attract, retain and motivate individuals with superior ability, experience and leadership capability to deliver on our annual and long-term business objectives necessary to create long-term stockholder value. We urge stockholders to read the Compensation Discussion and Analysis section of this proxy statement, which describes in detail how our executive compensation policies and procedures operate and are intended to operate in the future. The Compensation Committee and the board of directors believe that our executive compensation program fulfills these goals.

Our executive compensation practice is governed by policies and practices that are in line with industry practices and stockholder interests. Examples of such policies and practices include:

- Majority of total potential compensation paid to executives based on our financial performance;
- Clawback policy for the recovery of incentive compensation of executive officers;
- Anti-hedging, anti-pledging and anti-short sale policies for executives;
- Limited perquisites;
- No executive pensions;
- Retention of independent compensation consultant;
- Annual risk assessment of compensation practices;
- No employment agreements with executive officers;
- No repricing or exchange of “underwater” stock options without stockholder approval;
- No minimum guaranteed vesting for performance-based equity awards;
- Stock ownership guidelines requiring ownership of company stock by our Chief Executive Officer of 4x his base salary and by other Named Executive Officers of 2x their base salaries;
- Post-vesting stock retention guidelines requiring Named Executive Officers to hold 50% of net after-tax shares, if any, issued upon the vesting of equity awards until their required stock ownership levels are achieved; and
- Double-trigger provisions for change in control situations in our Severance Plan, and no excise tax gross-up payments upon a termination after a change in control.

PROPOSAL 3. ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

We are asking our stockholders to indicate their support for the compensation of our Named Executive Officers as described in this proxy statement. Accordingly, we ask that our stockholders vote “FOR” the following resolution:

“RESOLVED, that AeroVironment, Inc.’s stockholders approve, on an advisory basis, the compensation of the Named Executive Officers, as disclosed in this proxy statement, including the Compensation Discussion and Analysis, the compensation tables and the other related tables and disclosure.”

Recommendation of the Board

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

PROPOSAL 4. APPROVAL OF THE AEROVIRONMENT, INC. 2021 EQUITY INCENTIVE PLAN

Introduction

On August 14, 2021, our board of directors approved our 2021 Equity Incentive Plan (the “2021 Plan”), subject to stockholder approval. Our stockholders are being asked to approve the 2021 Plan. The 2021 Plan will become effective immediately upon stockholder approval at our annual meeting.

The board of directors is seeking approval of the 2021 Plan as the successor to the AeroVironment, Inc. Amended and Restated 2006 Equity Incentive Plan, (the “Prior Plan”), which expired by its terms in July 2021. If the stockholders do not approve the 2021 Plan, the 2021 Plan will not become effective and we will not have an equity plan under which we will be able to grant future equity awards to employees, directors and consultants.

Under the 2021 Plan, the number of shares reserved for issuance will be equal to the sum of (1) 1,240,000 shares of our common stock, plus (2) any shares covered by awards under the Prior Plan as of the effective date of the 2021 Plan that again become available for grant pursuant to the terms of the 2021 Plan, as described below.

The principal features of the 2021 Plan are summarized below, but the summary is qualified in its entirety by reference to the 2021 Plan itself, which is attached to this proxy statement as Appendix A.

Why Stockholders Should Vote to Approve the 2021 Plan

We believe that the adoption of the 2021 Plan is essential to our success. Equity awards are intended to motivate high levels of performance, align the interests of our employees, directors and consultants with those of our stockholders and provide a means of recognizing their contributions to our success. We believe that equity awards are necessary to remain competitive in the industry and are essential to recruiting and retaining the highly qualified individuals who help us meet our goals.

The table below presents information about the number of shares that were subject to outstanding equity awards under the Prior Plan and the AeroVironment, Inc. Nonqualified Stock Option Plan, which are the only equity plans under which there are outstanding equity awards, and the shares to be reserved for issuance under the 2021 Plan, each at July 15, 2021. The 2021 Plan, if approved by our stockholders, will be the only equity plan under which we will be able to grant future equity awards.

	Number of Shares as of 7/15/2021	As a % of Shares Outstanding ¹	Dollar Value ²
Prior Plan³			
Options outstanding	276,526	1.11%	\$19,202,284
Restricted stock outstanding	176,221	*	\$19,668,026
Restricted stock units outstanding	115,126	*	\$10,814,936
Shares remaining available for grant	—	—	\$—
Weighted average exercise price of outstanding options	—	—	\$24.50
Weighted average remaining term of outstanding options	—	—	2.69 years
2021 Plan			
Proposed shares to be available for issuance under 2021 Plan ⁴	1,240,000	5.0%	\$116,485,600

- * *Less than 1%.*
1. *Based on 24,812,785 shares of our common stock outstanding as of July 15, 2021. The weighted average common stock outstanding for fiscal 2021 was 24,050,000.*
 2. *Based on the closing price of our common stock on July 15, 2021 of \$93.94 per share.*
 3. *Number of restricted stock units outstanding includes performance-based restricted stock units ("PRsUs") at "target" performance levels. At the "maximum" achievement level, 200% of the target PRsUs granted prior to fiscal year 2021 would vest and 250% of the target PRsUs granted commencing in fiscal year 2021 would vest.*
 4. *Represents shares initially available for issuance under the 2021 Plan and does not include any shares covered by awards under the Prior Plan that may again become available for grant pursuant to the terms of the 2021 Plan.*

In determining the size of the share reserve under the 2021 Plan, our board of directors considered the following factors:

- The Prior Plan expired by its terms in July 2021. If the 2021 Plan is approved, it will represent the only equity plan under which we will be able to grant future equity awards.
- In fiscal years 2019, 2020 and 2021, equity awards representing a total of approximately 83,587 shares, 159,394 shares and 131,428 shares, respectively, were granted under the Prior Plan (including performance-based restricted stock units at target performance levels issued during such periods), for an annual equity burn rate of 0.35%, 0.67% and 0.55%, respectively. This level of equity awards represents a 3-year average burn rate of 0.52% of common shares outstanding. Equity burn rate is calculated by dividing the number of shares subject to equity awards granted during the fiscal year by the number of shares outstanding at the end of the period.
- We expect the proposed aggregate share reserve under the 2021 Plan to provide us with enough shares for awards for up to 10 years, assuming we continue to grant awards consistent with our current practices and historical usage, as reflected in our historical burn rate, and further dependent on the price of our shares and hiring activity during the next few years, forfeitures of outstanding awards, and noting that future circumstances may require us to change our current equity grant practices. We cannot predict our future equity grant practices, the future price of our shares or future hiring activity with any degree of certainty at this time, and the share reserve under the 2021 Plan could last for a shorter or longer time.
- In fiscal years 2019, 2020 and 2021, the end of year overhang rate was approximately 13.42%, 12.20% and 10.98%, respectively. If the 2021 Plan is approved, we expect our overhang at the end of fiscal year 2022 will be approximately 7% (estimated as of July 15, 2021 common stock outstanding). Overhang is calculated by dividing (1) the sum of the number of shares subject to equity awards outstanding at the end of the fiscal year plus shares remaining available for issuance for future awards at the end of the fiscal year by (2) the number of shares outstanding at the end of the fiscal year.

In light of the factors described above, and the fact that the ability to continue to grant equity compensation is vital to our ability to continue to attract and retain employees in the extremely competitive labor markets in which we compete, our board of directors has determined that the size of the share reserve under the 2021 Plan is reasonable and appropriate at this time. Our board of directors does not believe that the creation of a subcommittee to evaluate the risk and benefits for issuing shares under the 2021 Plan is necessary and will not create such a subcommittee.

Equity Compensation Best Practices Reflected in 2021 Plan

The 2021 Plan contains a number of provisions that we believe are consistent with best practices in equity compensation and protect its stockholders' interests.

- *Continued Broad-Based Eligibility for Equity Awards.* We grant equity awards to a significant number of our service providers. By doing so, we link their interests with stockholder interests and motivate these individuals to act as owners of the business. As of July 15, 2021, 288 of our 1,286 employees, 4 of our 71 consultants and all of our 7 non-employee directors serving as of such date held outstanding equity awards.
- *Stockholder Approval is Required for Additional Shares.* The 2021 Plan does not contain an annual "evergreen" provision. The 2021 Plan authorizes a limited number of shares, so that stockholder approval is required to increase the maximum number of shares of common stock which may be issued under the 2021 Plan.
- *No Discount Stock Options or Stock Appreciation Rights.* All stock options and stock appreciation rights will have an exercise price equal to or greater than the fair market value of our common stock on the date the stock

Proposal 4: 2021 Equity Incentive Plan

option or stock appreciation right is granted; provided, that discount stock options may be granted in the event stock options are assumed or substituted in connection with certain corporate transactions.

- *No Automatic Single-Trigger Vesting of Awards.* The 2021 Plan does not provide for automatic “single-trigger” accelerated vesting upon a change in control.
- *Limitations on Dividend Payments on Awards.* Dividends and dividend equivalents may be paid on awards subject to vesting conditions only to the extent such conditions are met.
- *Non-Employee Director Compensation Limit.* An annual limit applies to the sum of all cash and other compensation and the value of all equity, cash-based and other awards granted to a non-employee director for services as a member of our board of directors.
- *No Repricing of Awards Without Stockholder Approval.* Awards may not be repriced, replaced or regranted through cancellation or modification without stockholder approval if the effect would be to reduce the exercise price for the shares under the award.
- *No Tax Gross-Ups.* The 2021 Plan does not provide for any tax gross-ups.

Stockholder Approval Requirement

In general, stockholder approval of the 2021 Plan is necessary in order for us to meet the stockholder approval requirements of the principal securities market on which our shares are traded, and grant stock options that qualify as incentive stock options (“ISOs”) as defined under Section 422 of the Code.

Summary of the 2021 Plan

Securities Subject to the 2021 Plan. Under the 2021 Plan, the number of shares reserved for issuance will be equal to the sum of (1) 1,240,000 shares of our common stock, plus (2) any shares covered by awards under the Prior Plan as of the effective date of the 2021 Plan that again become available for grant pursuant to the terms of the 2021 Plan. Awards outstanding under the Prior Plan as of the effective date of the 2021 Plan are referred to as “Prior Plan Awards.” In no event will more than 1,240,000 shares of our common stock be issuable pursuant to ISOs under the 2021 Plan.

To the extent that an award (or a Prior Plan Award) expires, terminates or lapses for any reason, or an award or Prior Plan Award is settled in cash without the delivery of shares of stock to the recipient, any shares subject to the award or Prior Plan Award as to which the award was not exercised will be available for future grant or sale under the 2021 Plan. Shares of restricted stock that are forfeited or repurchased by us pursuant to the 2021 Plan may again be granted or awarded under the 2021 Plan. In addition, shares of common stock that are delivered by the holder, or withheld by us upon the exercise of any award under the 2021 Plan or Prior Plan Award, in payment of the exercise or purchase price of such award or tax withholding thereon will be available for future grant or sale under the 2021 Plan.

To the extent permitted by applicable law or any exchange rule, shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by us or any of our subsidiaries will not be counted against the shares available for issuance under the 2021 Plan.

Administration. The Compensation Committee of our board of directors will administer the 2021 Plan. To administer the 2021 Plan, our Compensation Committee must consist of at least two members of our board of directors, each of whom is not an employee of the Company, is a “non-employee director” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and is an “independent director” under the rules of any securities exchange or automated quotation system on which our shares are listed, quoted, or traded. Subject to the terms and conditions of the 2021 Plan, our Compensation Committee will have the authority to select the persons to whom awards are to be made, to determine the number of shares to be subject thereto and the terms and conditions thereof, and to make all other determinations and to take all other actions necessary or advisable for the administration of the 2021 Plan. Our Compensation Committee will also be authorized to adopt, amend or rescind rules relating to administration of the 2021 Plan. Our board of directors may at any time abolish the Compensation Committee and re-vest in itself the authority to administer the 2021 Plan. The full board of directors will administer the 2021 Plan with respect to awards to non-employee directors.

Eligibility. Our employees, consultants and directors and the employees and consultants of our subsidiaries will be eligible to receive awards under the 2021 Plan. As of July 15, 2021, we had 1,286 employees, 71 consultants and 7 non-employee directors, all of whom would have been eligible to participate in the 2021 Plan if it had been in effect on such date.

Our Compensation Committee determines which employees, consultants and directors will be granted awards. No person will be entitled to participate in the 2021 Plan as a matter of right nor does any such participation constitute assurance of continued employment or service with us. Only those employees, consultants and directors who are selected to receive grants by our Compensation Committee may participate in the 2021 Plan.

Awards Under the 2021 Plan. The 2021 Plan provides that our Compensation Committee (or the board of directors, in the case of awards to non-employee directors) may grant or issue stock options (both ISOs and non-qualified stock options ("NQSOs")), restricted stock awards, restricted stock units ("RSUs"), deferred stock awards, stock appreciation rights ("SARs"), dividend equivalents, stock payments and other stock-or cash-based awards, or any combination thereof. Each award will be set forth in a separate agreement with the person receiving the award and will indicate the type, terms and conditions of the award.

Incentive Stock Options. ISOs will be designed to comply with the provisions of the Code and will be subject to specified restrictions contained in the Code. Among such restrictions, ISOs must have an exercise price of not less than the fair market value of a share of common stock on the date of grant, may only be granted to employees, must expire within a specified period of time following the optionee's termination of employment, and must be exercised within the ten years after the date of grant. In the case of an ISO granted to an individual who owns (or is deemed to own) at least 10% of the total combined voting power of all classes of our capital stock, the 2021 Plan provides that the exercise price must be at least 110% of the fair market value of a share of common stock on the date of grant and the ISO must expire upon the fifth anniversary of the date of its grant.

Nonqualified Stock Options. NQSOs will provide for the right to purchase shares of our common stock at a specified price which may not be less than the fair market value of a share of common stock on the date of grant (except in the case of substitute awards), and usually will become exercisable (at the discretion of our Compensation Committee) in one or more installments after the grant date, subject to the participant's continued employment or service with us and/or subject to the satisfaction of performance targets established by our Compensation Committee (or the board of directors). NQSOs may be granted for any term specified by our Compensation Committee (or the board of directors), but the term may not exceed ten years. The closing sale price for a share of our common stock on the Nasdaq Stock Market on July 15, 2021, was \$93.94.

Restricted Stock Awards. Restricted stock may be granted to participants and made subject to such restrictions as may be determined by our Compensation Committee (or the board of directors). Typically, restricted stock may be forfeited for no consideration or repurchased by us at the original purchase price if the conditions or restrictions are not met, and they may not be sold or otherwise transferred to third parties until such conditions or restrictions are removed or expire. Purchasers of restricted stock, unlike recipients of options, will have voting rights and certain other rights as a stockholder prior to the time when the restrictions lapse. However, dividends on unvested restricted stock will be subject to the same vesting conditions as the underlying award, and will not be paid unless and until the underlying award vests.

Restricted Stock Units and Deferred Stock. RSUs and deferred stock may be awarded to participants, typically without payment of consideration, but subject to vesting conditions based on continued employment or on performance criteria established by our Compensation Committee (or the board of directors). Like restricted stock, RSUs and deferred stock may not be sold or otherwise transferred or hypothecated until vesting conditions are removed or expire. Unlike restricted stock, stock underlying RSUs or deferred stock awards will not be issued until the awards have vested, and a recipient of RSUs or deferred stock generally will have no rights as a stockholder prior to the time when vesting conditions are satisfied. Dividends and dividend equivalents on unvested RSUs or deferred stock will be subject to the same vesting conditions as the underlying award, and will not be paid unless and until the underlying award vests. RSUs and deferred stock awards may also be settled in cash.

Stock Appreciation Rights. SARs granted under the 2021 Plan typically will provide for payments to the holder based upon increases in the price of our common stock over the exercise price of the SAR, which exercise price shall not be less than the fair market value per share of our common stock on the date of grant (except in the case of substitute awards). Our Compensation Committee (or the board of directors) may elect to pay SARs in cash or in common stock or in a combination of both. The term of a SAR may not exceed ten years.

Proposal 4: 2021 Equity Incentive Plan

Dividend Equivalents. Dividend equivalents represent the value of the dividends, if any, per share paid by us, calculated with reference to the number of shares covered by the stock options, SARs, RSUs or other awards held by the participant. Dividend equivalents on unvested awards will be subject to the same vesting conditions as the underlying award, and will not be paid unless and until the underlying award vests. Dividend equivalents may not be granted on stock options or SARs.

Stock Payments. Stock payments may be authorized by our Compensation Committee (or the board of directors) in the form of common stock or an option or other right to purchase common stock as part of a bonus, deferred compensation or other arrangement. Unless otherwise determined by our Compensation Committee (or the board of directors), stock payments will be made in lieu of all or any part of compensation that would otherwise be payable in cash to the employee or consultant.

Other Stock- or Cash-Based Awards. The Compensation Committee (or the board of directors) may award to participants shares or an amount of cash linked to the attainment of specific performance criteria on a specific date or over one or more periods as determined by the Compensation Committee. Such awards may be paid in shares of our common stock, cash or a combination thereof.

Performance Awards. Performance awards may be granted by our Compensation Committee (or the board of directors) on an individual or group basis. Generally, these awards will be based upon specific performance targets and may be paid in cash or in common stock or in a combination of both. Performance awards may include “phantom” stock awards that provide for payments based upon increases in the price of our common stock over a predetermined period. Performance awards may also include bonuses that may be granted by our Compensation Committee (or the board of directors) on an individual or group basis, which may be paid on a current or deferred basis and may be payable in cash or in common stock or in a combination of both. In determining the performance criteria applicable to the grant of performance awards, the Compensation Committee may use one or more criteria deemed appropriate by the Compensation Committee, which may include the following:

- Earnings before interest, taxes, depreciation, and/or amortization (“EBITDA”);
- Adjusted EBITDA;
- Net earnings (either before or after interest, taxes, depreciation, and amortization);
- Economic value-added;
- Gross or net sales or revenue;
- Net income (either before or after taxes);
- Operating earnings;
- Cash flow (including, but not limited to, operating cash flow and free cash flow);
- Operating earnings;
- Adjusted operating earnings;
- Stockholders’ equity;
- Return on stockholders’ equity;
- Return on assets;
- Return on capital;
- Total stockholder returns;
- Return on sales;
- Gross or net profit or operating margin;
- Operating or other costs and expenses;
- Improvements in expense levels;
- Margins;
- Working capital;

- Earnings per share of common stock;
- Price per share of common stock;
- Implementation or completion of critical projects;
- Market share;
- Comparisons with various stock market indices;
- Capital raised in financing transactions or other financing milestones;
- Market recognition (including but not limited to awards and analyst ratings);
- Financial ratios; and
- Implementation, completion or attainment of objectively determinable objectives relating to research, development, regulatory, commercial or strategic milestones or developments

Non-Employee Director Limit. Under the 2021 Plan, the sum of any cash compensation, or other compensation, and the value (determined as of the grant date in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor thereto) of awards granted to a non-employee director as compensation for services as a non-employee director during any fiscal year may not exceed \$500,000, which amount is increased to \$700,000 in the fiscal year of a non-employee director's initial year of service as a non-employee director. The Compensation Committee may make exceptions to this limit for individual non-employee directors in extraordinary circumstances, as the Compensation Committee may determine in its discretion, provided that the non-employee director receiving such additional compensation may not participate in the decision to award such compensation or in other contemporaneous compensation decisions involving non-employee directors.

Awards Not Transferable. Awards may generally not be sold, pledged, transferred or disposed of in any manner other than by will or by the laws of descent and distribution. The Compensation Committee (or the board of directors) may allow awards other than ISOs to be transferable to certain permitted transferees. ISOs may not be transferable. If the Compensation Committee (or the board of directors) makes an award transferable, such award shall contain such additional terms and conditions as the Compensation Committee deems appropriate.

Adjustments Upon Changes in Capitalization. Certain transactions with our stockholders, such as stock splits, spin-offs, stock dividends or certain recapitalizations may affect the number of shares, or the share price, of our common stock (which transactions are referred to collectively as equity restructurings). In the event that an equity restructuring occurs, the Compensation Committee will equitably adjust the class of shares issuable and the maximum number and kind of shares of our common stock subject to the 2021 Plan, and the maximum number of shares that may be issued pursuant to ISOs, and will equitably adjust outstanding awards as to the class, number of shares and price per share of our common stock. Other types of transactions may also affect our common stock, such as a dividend or other distribution, reorganization, merger or other changes in corporate structure. In the event that there is such a transaction, which is not an equity restructuring, and the Compensation Committee determines that an adjustment to the 2021 Plan and any outstanding awards would be appropriate to prevent any dilution or enlargement of benefits under the 2021 Plan, the Compensation Committee will equitably adjust the 2021 Plan as to the class of shares issuable and the maximum number of shares of our common stock subject to the 2021 Plan, as well as the maximum number of shares that may be issued pursuant to ISOs, and will adjust any outstanding awards as to the class, number of shares, and price per share of our common stock in such manner as it may deem equitable.

Change of Control. In the event of any of the transactions described under "Adjustments Upon Changes in Capitalization" above, or any other unusual or nonrecurring transaction, including a change in control, the Compensation Committee may take certain actions, including to provide for the termination, cash-out, substitution or replacement, assumption and/or acceleration of outstanding awards. In the event of a change of control where the acquirer does not assume awards granted under the 2021 Plan, awards issued under the 2021 Plan will be subject to accelerated vesting such that 100% of the awards will become vested and exercisable or payable, as applicable. Under the 2021 Plan, a change of control has the same meaning given to such term under the AeroVironment, Inc. Executive Severance Plan, and generally means, subject to certain exceptions, (a) the consummation of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the company's assets unless all or substantially all of the beneficial owners prior to such transaction immediately

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own more than 50% of the combined outstanding voting power of the entity resulting from the transaction; (b) individuals who at the beginning of any two year period constitute the company's board of directors cease for any reason to constitute at least a majority of the board of directors; (c) the acquisition by any person of beneficial ownership of 30% or more of the outstanding voting power of the company; or (d) the approval by the company's stockholders of a complete liquidation or dissolution of the company.

Forfeiture, Recoupment, and Clawback Provisions. Pursuant to its general authority to determine the terms and conditions applicable to awards under the 2021 Plan, the Compensation Committee shall have the right to provide, in an award agreement or otherwise, that an award shall be subject to the provisions of any recoupment or clawback policies implemented by the company, including, without limitation, any recoupment or clawback policies adopted to comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder.

Prohibition of Repricing. Except in connection with a corporate transaction involving the company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), neither the board of directors nor the Compensation Committee will, without the approval of the stockholders of the company, authorize the amendment of any outstanding award to reduce its price per share, including any amendment to reduce the exercise price per share of outstanding options or SARs. Furthermore, no award will be canceled and replaced with the grant of an award having a lesser price per share without the further approval of stockholders of the company, which includes the cancellation of outstanding options or SARs in exchange for cash, other awards or options or SARs with an exercise price per share that is less than the exercise price per share of the original options or SARs.

Amendment and Termination of the 2021 Plan. Our board of directors or the Compensation Committee may terminate, amend or modify the 2021 Plan. However, stockholder approval of any amendment to the 2021 Plan will be obtained to the extent necessary to comply with any applicable law, regulation or stock exchange rule, or for any repricing, as described above under "Prohibition on Repricing." The 2021 Plan will continue in effect until terminated by our board of directors or the Compensation Committee; however, in no event may ISOs be granted under the 2021 Plan after the tenth anniversary of the date our board of directors approved the 2021 Plan.

Securities Laws. The 2021 Plan is intended to conform with all provisions of the Securities Act of 1933, as amended, or the Securities Act, and the Exchange Act and any and all regulations and rules promulgated by the SEC thereunder, including without limitation Rule 16b-3. The 2021 Plan will be administered, and options will be granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations.

Federal Income Tax Consequences Associated with the 2021 Plan. The following is a general summary under current law of the material federal income tax consequences to participants in the 2021 Plan. This summary deals with the general tax principles that apply and is provided only for general information. Some kinds of taxes, such as state and local income taxes, are not discussed. Tax laws are complex and subject to change and may vary depending on individual circumstances and from locality to locality. This summary does not discuss all aspects of income taxation that may be relevant in light of a holder's personal investment circumstances. This summarized tax information is not tax advice.

Nonqualified Stock Options. For federal income tax purposes, if an optionee is granted NQSOs under the 2021 Plan, the optionee will not have taxable income on the grant of the option, nor will we be entitled to any deduction. Generally, on exercise of an NQSO the optionee will recognize ordinary income, and we will be entitled to a deduction, in an amount equal to the difference between the option exercise price and the fair market value of a share of common stock on the date each such option is exercised. The optionee's basis for the stock for purposes of determining gain or loss on subsequent disposition of such shares generally will be the fair market value of the common stock on the date the optionee exercises such option. Any subsequent gain or loss will be generally taxable as capital gains or losses.

Incentive Stock Options. There is no taxable income to an optionee when an optionee is granted an ISO or when that option is exercised. However, the amount by which the fair market value of the shares at the time of exercise exceeds the option price will be an "item of adjustment" for the optionee for purposes of the alternative minimum tax. Gain realized by the optionee on the sale of common stock received upon exercise of an ISO is taxable at capital gains rates, and no tax deduction is available to us, in each case unless the optionee disposes of the shares within (1) two years after the date of grant of the option or (2) within one year of the date the shares were transferred

to the optionee. If the common shares are sold or otherwise disposed of before the end of the two-year and one-year periods specified above, the difference between the option exercise price and the fair market value of the shares on the date of the option's exercise will be taxed at ordinary income rates, and we will be entitled to a deduction to the extent the optionee must recognize ordinary income. If such a sale or disposition takes place in the year in which the optionee exercises the option, the income the optionee recognizes upon sale or disposition of the shares will not be considered income for alternative minimum tax purposes. Otherwise, if the optionee sells or otherwise disposes of the shares before the end of the two-year and one-year periods specified above, the maximum amount that will be included as alternative minimum tax income is the gain, if any, the optionee recognizes on the disposition of the shares.

An ISO exercised more than three months after an optionee terminates employment, other than by reason of death or disability, will be taxed as a NQSO, and the optionee will have been deemed to have received income on the exercise taxable at ordinary income rates. We will be entitled to a tax deduction equal to the ordinary income, if any, realized by the optionee.

Restricted Stock, Restricted Stock Units, and Deferred Stock. A participant to whom restricted stock, RSUs or deferred stock is issued generally will not recognize taxable income upon such issuance and we generally will not then be entitled to a deduction unless, with respect to restricted stock, an election is made by the participant under Section 83(b) of the Code. However, when restrictions on shares of restricted stock lapse, such that the shares are no longer subject to a substantial risk of forfeiture, the employee generally will recognize ordinary income and we generally will be entitled to a deduction for an amount equal to the excess of the fair market value of the shares at the date such restrictions lapse over the purchase price. If a timely election is made under Section 83(b) with respect to restricted stock, the participant generally will recognize ordinary income on the date of the issuance equal to the excess, if any, of the fair market value of the shares at that date over the purchase price therefore, and we will be entitled to a deduction for the same amount. Similarly, when RSUs or deferred stock vest and the underlying common stock is issued to the participant, the participant generally will recognize ordinary income and we generally will be entitled to a deduction for the amount equal to the fair market value of the shares at the date of issuance. A Section 83(b) election is not permitted with regard to the grant of RSUs or deferred stock.

Stock Appreciation Rights. In the case of SARs granted with an exercise price equal to the fair market value of our common stock on the date of grant, no taxable income is realized upon the receipt of the SAR, but upon exercise of the SAR, the fair market value of the shares received, determined on the date of exercise of the SAR, or the amount of cash received in lieu of shares, must be treated as compensation taxable as ordinary income to the recipient in the year of such exercise. We will be entitled to a deduction for compensation paid in the same amount that the recipient realized as ordinary income.

Dividend Equivalents. A recipient of a dividend equivalent award generally will not recognize taxable income at the time of grant, and we will not be entitled to a deduction at that time. When a dividend equivalent is paid, the participant generally will recognize ordinary income, and we will be entitled to a corresponding deduction.

Stock Payments. A participant who receives a stock payment in lieu of a cash payment that would otherwise have been made will generally be taxed as if the cash payment has been received, and we generally will be entitled to a deduction for the same amount.

Section 409A of the Code. Certain types of awards under the 2021 Plan may constitute, or provide for, a deferral of compensation under Section 409A of the Code. Unless certain requirements set forth in Section 409A are complied with, holders of such awards may be taxed earlier than would otherwise be the case (e.g., at the time of vesting instead of the time of payment) and may be subject to an additional 20% federal penalty tax (and, potentially, certain interest penalties). To the extent applicable, the 2021 Plan and awards granted under the 2021 Plan will be structured and interpreted to comply with Section 409A of the Code and the Treasury Regulations and other interpretive guidance that may be issued pursuant to Section 409A of the Code.

If a plan award is subject to and fails to satisfy the requirements of Section 409A, the recipient of that award may recognize the compensation deferred under the award as ordinary income when such amounts are vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Section 409A fails to comply, Section 409A imposes an additional 20% federal income tax on the deferred compensation recognized as ordinary income, as well as interest on such deferred compensation.

Proposal 4: 2021 Equity Incentive Plan**Plan Benefits**

No awards have been issued under the 2021 Plan as it is not yet effective. All future grants under the 2021 Plan are within the discretion of the plan administrator and the benefits of such grants are, therefore, not determinable. Notwithstanding the foregoing, our non-employee directors are eligible to receive certain compensation each year, a portion of which is payable in the form of common stock or deferred stock, as described above under "Director Compensation." If the 2021 Plan is approved, the non-employee director compensation payable in the form of restricted stock will be issued under the 2021 Plan following the effective date of the 2021 Plan.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL OF THE 2021 EQUITY INCENTIVE PLAN.

STOCKHOLDER PROPOSAL

Myra K. Young, 9295 Yorkship Court, Elk Grove, CA 95758, and James McRitchie, 9295 Yorkship Court, Elk Grove, CA 95758, advised us that they are the owners of 40 common shares of the company, which have been held continuously for at least 13 months, and they intend for John Chevedden, 2215 Nelson Ave., No. 205, Redondo Beach, CA 90278, to introduce the following proposal on their behalf at the 2021 annual meeting. Approval of the following proposal requires the affirmative vote of a majority of the votes cast by the holders of the shares of common stock voting in person or by proxy at the annual meeting.

In accordance with Rule 14a-8(h) of the Exchange Act, the stockholder proposal is required to be voted on at the 2021 Annual Meeting only if properly presented by the stockholder proponent or their qualified representative at the meeting. The text of the shareholder's resolution and the statement that the stockholders furnished to us in support thereof appear below, exactly as submitted, and we are not responsible for any inaccuracies or omissions therein.

PROPOSAL 5. TRANSITION TO ELECT DIRECTORS BY MAJORITY VOTE

Resolved: Shareholders of AeroVironment, Inc. ('Company') request the Board of Directors amend our Company's policies, articles of incorporation and/or bylaws to provide that director nominees be elected by the affirmative vote of the majority of votes cast, with a plurality vote standard retained for contested director elections, that is, when the number of director nominees exceeds the number of board seats. This proposal includes that a director who receives less than a majority vote be removed as soon as a replacement director can be qualified on an expedited basis. If such a removed director has key experience, they can transition to a consultant or director emeritus. With written justification, the board can set an effective date several years into the future for these changes to take effect.

Supporting Statement: To provide shareholders a meaningful role in director elections, our Company's current director election standard should transition from a plurality vote standard to a majority vote standard when only board nominated candidates are on the ballot.

Under our Company's current voting system, a director can be elected if all shareholders oppose the director but one shareholder votes FOR, even by mistake. More than 90% of the companies in the S&P 500 have adopted majority voting for uncontested elections.

In 2019 and 2020 majority shares voted FOR similar proposals at TG Therapeutics, Lipocine, Abeona Therapeutics, Alico, Guidewire Software, Stemline Therapeutics, Caesars Entertainment, RadNet, Gannett, New Residential Investment, Safety Insurance Group, First Community Bancshares, Greenhill, and Advaxis.

Vanguard, one of our largest shareholders, includes the following in their proxy voting guidance: "If the company has plurality voting, a fund will typically vote for shareholder proposals requiring majority vote for election of directors." BlackRock's proxy voting guidelines include the following: "Majority voting standards assist in ensuring that directors who are not broadly supported by shareholders are not elected to serve as their representatives." Many other large shareholders have similar proxy voting policies.

Proposal 5: Stockholder Proposal Regarding Majority Voting

This request should be seen in the context that our Company has a classified board, does not allow shareholders to call special meeting or act by written consent, and does not provide shareholders with the right to proxy access. Our board is locked into an outdated governance structure that reduces accountability to shareholders, increasing the likelihood of stagnation. We should not risk **Zombies on Board: Investors Face the Walking Dead** (<https://www.msci.com/www/blogposts/zombies-on-boardinvestors-face/02161045315>).

**To Enhance Shareholder Value, Vote FOR
Elect Directors by Majority Vote — Proposal 5**



BOARD OF DIRECTORS STATEMENT OF NO RECOMMENDATION

The company's publicly available Corporate Governance Guidelines include a "Director Resignation Policy" pursuant to which, at any stockholder meeting at which directors are subject to an uncontested election, any director nominee who receives a greater number of votes "withheld" from his or her election than votes "for" such election is required to submit, promptly following the final certification of the election results, to the board of directors a letter of resignation for consideration by the Nominating and Corporate Governance Committee and the board of directors. This policy operates in conjunction with the plurality voting standard in place at the company for director elections.

While the board of directors is not taking a position with respect to this proposal and not issuing a recommendation to stockholders as to how they should vote, the board of directors welcomes stockholder input on this precatory proposal, including through their votes, and notes that the proposal does not appear to contemplate a scenario where a stockholder issues "withhold" or "against" votes against one or more individual directors with the objective of encouraging the board of directors to address the underlying policy reasons that gave rise to that voting decision, rather than definitively seeking the departure of the director(s) who did not secure majority support. In any event, the board of directors will consider the outcome of this advisory vote, together with input and feedback received in the regular course of the company's stockholder engagement program, evolving governance practices, and other factors the board of directors deems relevant in assessing this proposal.

ACCORDINGLY, THE BOARD OF DIRECTORS MAKES NO RECOMMENDATION ON THIS STOCKHOLDER PROPOSAL REGARDING A MAJORITY VOTING STANDARD FOR THE ELECTION OF DIRECTORS.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Why did I receive these proxy materials?

You have received these proxy materials because you were an AeroVironment, Inc. stockholder as of the close of business on August 6, 2021, and our board of directors is soliciting authority, or proxy, to vote your shares at the 2021 annual meeting of stockholders. The proxy materials include our notice of annual meeting of stockholders, proxy statement and 2021 annual report. These materials also include the proxy card and postage-paid return envelope or voting instruction form for the annual meeting. The proxy cards are being solicited on behalf of our board of directors. The proxy materials include detailed information about the matters that will be discussed and voted on at the meeting, and provide updated information about our company that you should consider in order to make an informed decision when voting your shares. The proxy materials are first being furnished to stockholders on or about August 27, 2021.

Five proposals are scheduled to be voted on at the annual meeting:

Proposal 1: Election of Charles Thomas Burbage and Cindy K. Lewis to each serve as a Class III director for a three-year term;

Proposal 2: Ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending April 30, 2022;

Proposal 3: Advisory vote on the compensation of our Named Executive Officers;

Proposal 4: Approve the AeroVironment, Inc. 2021 Equity Incentive Plan; and

Proposal 5: Stockholder Proposal — Elect Directors by Majority Vote.

Why is it so important that I promptly vote my shares?

We value your input. Regardless of the number of shares you hold and whether you plan to attend the annual meeting, we encourage you to vote your shares as soon as possible to ensure that your vote is recorded promptly and so that we can avoid additional solicitation costs.

Can I access the proxy materials on the internet?

Yes. The company's proxy statement and 2021 annual report are available at <http://investor.avinc.com/financial-information>.

Can I receive a copy of the company's annual report on Form 10-K?

Our annual report on Form 10-K for the fiscal year ended April 30, 2021, which has been filed with the SEC, is being mailed with our proxy materials to our stockholders, however additional copies will be made available to stockholders without charge upon written request to AeroVironment, Inc., Attn: Corporate Secretary, 241 18th Street South, Suite 415, Arlington, VA 22202.

How can I view or request copies of the company's corporate documents and SEC filings?

The company's website contains the company's Corporate Governance Guidelines, board committee charters and Code of Business Conduct and Ethics and the company's SEC filings. To view these documents, go to www.avinc.com, click on "Investors" and click on "Corporate Governance". To view the company's SEC filings and

Forms 3, 4 and 5 filed by the company's directors and executive officers, go to www.avinc.com, click on "Investors," click on "Financial Information" and then click on "SEC Filings."

We will promptly deliver free of charge, upon request, a copy of the Corporate Governance Guidelines, the board committee charters and the Code of Business Conduct and Ethics to any stockholder requesting a copy. Requests should be directed to AeroVironment, Inc., Attn: Corporate Secretary, 241 18th Street South, Suite 415, Arlington, VA 22202.

How do I attend the annual meeting?

The annual meeting will be held on Friday, September 24, 2021 at 12:00 p.m. Eastern Time, virtually held exclusively via live audio webcast at <https://web.lumiagm.com/216888245>. Online access to the virtual stockholder meeting will open up approximately 60 minutes prior to the start of the annual meeting to allow for you to log in with your 11-digit voter control number issued by AST and password of AVAV2021 (case sensitive) to test your computer audio system. Please log into the provided website and follow the instructions provided to attend the annual meeting. We encourage you to access the meeting prior to the start time. If you are a beneficial owner, please refer to the voting instructions provided by your brokerage firm, bank, dealer or other similar organization with these proxy materials. Even if you plan to attend the annual meeting, please submit your vote in advance as instructed herein.

Submitting Questions

Stockholders may submit questions and comments in advance or during the meeting. You can ask questions once you log in or when the meeting begins by clicking on the "ask a question" icon on the top of your screen. During the meeting, we will spend up to 15 minutes answering stockholder questions that comply with the meeting rules of procedure. The rules of procedure will be posted on the virtual meeting web portal. If we receive substantially similar questions, we will group such questions together and provide a single response to avoid repetition.

Beneficial Owners: Shares Registered in the Name of a Broker or Bank

If your shares are registered in the name of your broker, bank or other agent, you are the "beneficial owner" of those shares and those shares are considered as held in "street name." If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than directly from us. To vote in person at the virtual annual meeting, you must first obtain a valid legal proxy from your broker, bank or other agent and then register in advance to attend the annual meeting. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a legal proxy form.

After obtaining a valid legal proxy from your broker, bank or other agent, to then register to attend the annual meeting, you must submit proof of your legal proxy reflecting the number of your shares along with your name and email address to American Stock Transfer & Trust Company, LLC. Requests for registration should be directed to proxy@astfinancial.com or to facsimile number 718-765-8730. Written requests can be mailed to:

American Stock Transfer & Trust Company LLC
Attn: Proxy Tabulation Department
6201 15th Avenue
Brooklyn, NY 11219

Requests for registration must be labeled as "Legal Proxy" and be received no later than 5:00 p.m., Eastern Time, on September 17, 2021.

You will receive a confirmation of your registration by email after we receive your registration materials. You may attend the Annual Meeting and vote your shares at <https://web.lumiagm.com/216888245> during the meeting. Please log in with your 11-digit voter control number issued by AST and the password for the meeting is AVAV2021 (case sensitive). Follow the instructions provided to vote. We encourage you to access the meeting prior to the start time leaving ample time for the check in.

What is the quorum requirement for holding the annual meeting?

A majority of the outstanding shares of common stock, present in person or represented by proxy, will constitute a quorum at the annual meeting. Abstentions will be counted as shares present for purposes of determining the presence of a quorum for the transaction of business.

Who can vote?

Holders of record of common stock at the close of business on August 6, 2021 will be entitled to vote at the annual meeting. Each share of common stock will be entitled to one vote on all matters properly brought before the meeting. On August 6, 2021, the record date for the annual meeting, there were 24,811,802 shares of common stock outstanding. There are no other voting securities of the company outstanding.

What is the difference between holding shares as a holder of record and as a beneficial owner?

If at the close of business on August 6, 2021, the record date for the annual meeting, your shares were held in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in "street name" and the proxy materials, as applicable, are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares in your account. If you do not provide voting instructions to your broker or bank, such organization will need to determine whether it has the discretionary authority to vote your shares on any matter to be considered at the annual meeting.

Under applicable rules, your bank or broker has discretionary authority to vote your shares on the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending April 30, 2022 without receiving instructions from you. Therefore, your broker or bank will be able to vote on this matter if you do not provide voting instructions to such organization. Your bank or broker does not have discretionary authority to vote your shares without receiving instructions from you on any of the other proposals. Accordingly, if you do not give instructions to your custodian, your shares will not be voted with respect to these matters because the bank or brokerage firm will not have authority to vote them on your behalf.

Banks and brokers are not permitted to vote your shares with respect to the election of directors, the advisory votes on the compensation of our Named Executive Officers, approval of the AeroVironment, Inc. 2021 Equity Incentive Plan, or the stockholder proposal seeking a majority voting standard for the election of directors without your instructions as to how to vote. Please instruct your broker how to vote your shares using the voting instruction form provided by your broker.

How do I vote my shares?

You may vote your shares using one of the following methods:

- **Over the internet.** If you have access to the internet, by submitting the proxy following the instructions included on your proxy card for voting over the internet.
- **By telephone.** You can vote by calling a toll-free telephone number listed on the proxy card. Please refer to your proxy card for instructions on voting by phone.
- **By mail.** You may vote your shares by completing, signing and mailing the proxy card included with your proxy materials. Please refer to your proxy card for instructions on voting by mail.
- **Virtually at the annual meeting.** Stockholders are invited to virtually attend the annual meeting and vote online during the annual meeting. If you are a beneficial owner of shares, please refer to the voting instructions provided from your brokerage firm, bank, dealer or other similar organization.

A control number, located on the instruction sheet attached to the proxy card, is designated to verify your identity and allow you to vote your shares and confirm that your voting instructions have been recorded properly. If you vote via the internet or by telephone, there is no need to return a signed proxy card. However, you may still vote by proxy by using the proxy card.

Can I change my vote?

Yes. You may revoke the proxy at any time prior to its use by:

- delivering a written notice to the Corporate Secretary of the company, mailed to the company's office at 241 18th Street South, Suite 415, Arlington, VA 22202;
- executing and submitting a later-dated proxy;
- re-voting your shares by telephone or on the internet; or
- attending the annual meeting and voting electronically during the annual meeting.

Only the latest validly executed proxy that you submit will be counted.

What vote is required to approve each of the proposals?

- **Proposal 1 — Election of directors:** Directors will be elected on a plurality basis and the two nominees receiving the highest number of "FOR" votes will be elected as directors. Notwithstanding the foregoing, pursuant to the company's Corporate Governance Guidelines, if a director nominee is not elected by a majority of votes cast, he or she has agreed to submit a letter of resignation to the board. The Nominating and Corporate Governance Committee will make a recommendation to the board on whether to accept or reject any such resignation, or whether other action should be taken and the board will act on the resignation taking into account the recommendation of the Nominating and Corporate Governance Committee. Withholdings will be counted as present for the purposes of determining a quorum but are not counted as votes cast. Broker non-votes will not be counted as present and are not entitled to vote on the proposal.
- **Proposal 2 — Ratification of selection of independent registered public accounting firm:** Approval of this proposal requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting. Abstentions will be counted as present for purposes of this vote and will have the effect of a vote against the proposal. Brokers have discretionary authority to vote your shares on this proposal without receiving instructions from you.
- **Proposal 3 — Advisory vote on the compensation of our Named Executive Officers:** Approval of this proposal requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting. Abstentions will have the same effect as a vote against this proposal. Broker non-votes will not be counted as present and are not entitled to vote on the proposal.
- **Proposal 4 — Approval of the AeroVironment, Inc. 2021 Equity Incentive Plan:** Approval of this proposal requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting. Abstentions will have the same effect as a vote against this proposal. Broker non-votes will not be counted as present and are not entitled to vote on the proposal.
- **Proposal 5 — Advisory vote on the stockholder proposal seeking a majority voting standard for the election of directors:** Approval of this proposal requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting. Abstentions will have the same effect as a vote against this proposal. Broker non-votes will not be counted as present and are not entitled to vote on the proposal.

What are the recommendations of the board of directors?

The board of directors recommends that you vote your shares on your proxy card:

- **FOR** the election of the directors nominated herein;
- **FOR** the proposal to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending April 30, 2022; and
- **FOR** the proposal to approve the compensation of our Named Executive Officers on an advisory basis.
- **FOR** the proposal to approve the AeroVironment, Inc. 2021 Equity Incentive Plan.
- **NO RECOMMENDATION** on the advisory vote on the stockholder proposal seeking a majority voting standard for the election of directors.

What if I do not specify how I want my shares to be voted?

If you are the record holder of your shares and do not specify on your proxy card (or when giving your proxy by telephone or the internet) how you want to vote your shares, your shares will be voted:

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

- **FOR** the election of directors nominated herein;
- **FOR** the proposal to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending April 30, 2022;
- **FOR** the approval of the advisory vote to approve the compensation of our Named Executive Officers;
- **FOR** the approval of the AeroVironment, Inc. 2021 Equity Incentive Plan;
- **Will not vote on (abstention)** the stockholder proposal seeking a majority voting standard for the election of directors; and
- with respect to any other business that may properly come before the annual meeting or any adjournments or postponements thereof, in accordance with the best judgment of the designated proxy holders.

If you are a beneficial owner of shares and do not specify to the organization that holds your shares how you want to vote, such organization may only vote your shares on “routine” matters. The only routine matter to be voted upon at this annual meeting is the ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending April 30, 2022. Therefore, if you do not provide instructions to the record holder on how you want to vote, your shares may not be voted on the election of directors, the proposal to approve, on an advisory basis, the compensation of our Named Executive Officers, approval of the AeroVironment, Inc. 2021 Equity Incentive Plan, or the stockholder proposal seeking a majority voting standard for the election of directors. If your shares are held of record by a bank, broker or other nominee, we urge you to give instructions to your bank, broker or other nominee as to how you wish your shares to be voted so you may participate in the stockholder voting on these important matters.

Is cumulative voting allowed for the election of directors?

No. You may not cumulate your votes for the election of directors.

What is the effect of an “ABSTAIN” vote?

Abstentions are considered to be present and entitled to vote with respect to each relevant proposal, but will not be considered a vote cast with respect to that proposal. Therefore, an abstention will effectively be a vote against each of the proposals, except for the election of directors.

What is a “broker non-vote”?

A “broker non-vote” occurs when a beneficial owner of shares held by a broker, bank or other nominee fails to provide the record holder with voting instructions on any “non-routine” matters brought to a vote at a stockholder meeting.

Under applicable rules, “non-routine” matters include the election of directors and the proposal for the advisory vote on the compensation of our Named Executive Officers. As such, a broker may not vote your shares with respect to the election of directors or other non-routine matters without your instructions. If your shares are held of record by a bank, broker or other nominee, we urge you to give instructions to your bank, broker or other nominee as to how you wish your shares to be voted so you may participate in the stockholder voting on these important matters.

When will the company announce the 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 SEC within four business days of the meeting (which will be available at www.sec.gov and www.avinc.com).

How are the proxies solicited and what is the cost?

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.

What is householding?

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 (805) 520-8350 x4278, via <https://investor.avinc.com/contact-us> or by mail addressed to Investor Relations, AeroVironment, Inc., 241 18th Street South, Suite 415, Arlington, VA 22202, 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 at the address above to make such a request.

How do I submit a proposal for action at next year’s annual meeting?

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 2022 annual meeting of stockholders, proposals of stockholders must be received at our principal executive offices no later than April 18, 2022 (120 calendar days prior to the anniversary of the date of the proxy statement for our 2021 annual meeting released to stockholders) and must otherwise satisfy the conditions established by the SEC for stockholder proposals to be included in the proxy statement for that meeting. However, in the event that the date of our 2022 annual meeting is more than 30 days before or after the anniversary of our 2021 annual meeting, a stockholder proposal will be timely if received at our principal executive offices a reasonable time before we begin to print and send our proxy materials for the 2022 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 2022 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 2022 annual meeting between May 27, 2022 (120 calendar days prior to the anniversary of our 2021 annual meeting) and June 26, 2022 (90 calendar days prior to the anniversary of our 2021 annual meeting). However, in the event that the date of the 2022 annual meeting is advanced by more than 30 days or delayed by more than 60 days from the anniversary of the 2021 annual meeting, notice by the stockholder must be received no earlier than the close of business on the 120th day prior to the 2022 annual meeting and no later than the close of business on the later of (1) the 90th day prior to the 2022 annual meeting or (2) the 10th day following the earlier of (a) the day on which notice of the 2022 annual meeting was mailed or (b) the date on which public announcement of the date of the 2022 annual meeting is first made by the company. 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 2022 annual meeting. In addition, our bylaws include other requirements for nomination of candidates for director and proposals of other business.

Could any additional proposals be raised at the 2021 annual meeting of stockholders?

The board of directors knows of no other matters to come before the meeting. Should any unanticipated business properly come before the meeting, the persons named in the enclosed proxy will vote in accordance with their best judgment. The accompanying proxy confers discretionary authority to such persons to vote on any unanticipated matters.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

It is important that proxies be returned promptly. Stockholders are urged to date and sign the proxy and return it promptly in the accompanying envelope, or to vote via the internet or by calling the toll-free number as instructed on the proxy card.

If stockholders have any questions or require any assistance with voting your shares, please contact the company's corporate secretary.

DIRECTORS

ON BEHALF OF THE BOARD OF

A handwritten signature in black ink, appearing to read "Wahid Nawabi". The signature is fluid and cursive, with the first name "Wahid" written in a larger, more prominent script than the last name "Nawabi".

*Wahid Nawabi
President and Chief Executive Officer*

Arlington, Virginia
August 16, 2021

**AEROVIRONMENT, INC.
2021 EQUITY INCENTIVE PLAN**

ARTICLE 1

PURPOSE

The purpose of the AeroVironment, Inc. 2021 Equity Incentive Plan (the “Plan”) is to promote the success and enhance the value of AeroVironment, Inc. (the “Company”) by linking the personal interests of the members of the Board, Employees, and Consultants to those of Company stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company stockholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company’s operation is largely dependent.

ARTICLE 2

DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

- 2.1 “Applicable Accounting Standards” shall mean Generally Accepted Accounting Principles in the United States, International Financial Reporting Standards or such other accounting principles or standards as may apply to the Company’s financial statements under United States federal securities laws from time to time.
- 2.2 “Award” means an Option, a Restricted Stock award, a Stock Appreciation Right award, a Performance Share award, a Performance Stock Unit award, a Dividend Equivalents award, a Stock Payment award, a Deferred Stock award, a Restricted Stock Unit award or an Other Stock or Cash-Based Award granted to a Participant pursuant to the Plan.
- 2.3 “Award Agreement” means any written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium, which shall contain such terms and conditions with respect to an Award as the Committee shall determine consistent with the Plan.
- 2.4 “Beneficial Owner” has the meaning as used in Rule 13d-3 promulgated under the Exchange Act. The terms “Beneficially Owned” and “Beneficial Ownership” each has a correlative meaning.
- 2.5 “Board” means the Board of Directors of the Company.
- 2.6 “Change in Control” means, and will be deemed to have occurred upon, any of the following events:
- (a) The acquisition by any Person of Beneficial Ownership of 30% or more of the outstanding voting power; provided, however, that the following acquisitions will not constitute a Change in Control for purposes of this subparagraph (a): (i) any acquisition directly from the Company; (ii) any acquisition by the Company or any of its Subsidiaries; (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its Subsidiaries; or (iv) any acquisition by any Person pursuant to a transaction which complies with clauses (i), (ii), and (iii) of subparagraph (c) below; or
 - (b) Individuals who at the beginning of any two-year period constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual who becomes a director of the Company during such two-year period and whose election or whose nomination for election by the Company’s stockholders, to the Board was either (i) approved by a vote of at least a majority of the directors then comprising the Incumbent Board or (ii) recommended by a nominating committee comprised entirely of directors who are then Incumbent Board members will be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act), other actual or threatened solicitation of proxies or consents, or an actual or threatened tender offer; or
 - (c) Consummation of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), in each case unless following

such Business Combination, (i) all or substantially all of the Persons who were the Beneficial Owners, respectively, of the outstanding shares and outstanding voting securities immediately prior to such Business Combination own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company, as the case may be, of the entity resulting from the Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the outstanding voting securities (provided, however, that for purposes of this clause (i) any shares of common stock or voting securities of such resulting entity received by such Beneficial Owners in such Business Combination other than as the result of such Beneficial Owners' ownership of outstanding shares or outstanding voting securities immediately prior to such Business Combination will not be considered to be owned by such Beneficial Owners for the purposes of calculating their percentage of ownership of the outstanding common stock and voting power of the resulting entity); (ii) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from the Business Combination) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding voting securities of such entity resulting from the Business Combination unless such Person owned 30% or more of the outstanding shares or outstanding voting securities immediately prior to the Business Combination; and (iii) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the Board at the time of the execution of the initial agreement or the action of the Board providing for such Business Combination; or

(d) Approval by the Company's stockholders of a complete liquidation or dissolution of the Company.

For purposes of clause (c), any Person who acquires outstanding voting securities of the entity resulting from the Business Combination by virtue of ownership, prior to such Business Combination, of outstanding voting securities of both the Company and the entity or entities with which the Company is combined shall be treated as two Persons after the Business Combination, who shall be treated as owning outstanding voting securities of the entity resulting from the Business Combination by virtue of ownership, prior to such Business Combination of, respectively, outstanding voting securities of the Company, and of the entity or entities with which the Company is combined.

In addition, if a Change in Control constitutes a payment event with respect to any Award which provides for the deferral of compensation and is subject to Section 409A of the Code, the transaction or event described in subsection (a), (b), (c) or (d) with respect to such Award must also constitute a "change in control event," as defined in Treasury Regulation §1.409A-3(i)(5) to the extent required by Section 409A.

The Committee shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

2.7 "Code" means the Internal Revenue Code of 1986, as amended.

2.8 "Committee" means the Compensation Committee of the Board, or another committee or subcommittee of the Board appointed as described in Article 11.

2.9 "Consultant" means any consultant or adviser engaged to provide services to the Company or any Subsidiary that qualifies as a consultant under the applicable rules of the Securities and Exchange Commission for registration of shares on a Form S-8 Registration Statement.

2.10 "Deferred Stock" means a right to receive a specified number of shares of Stock during specified time periods pursuant to Article 8.

2.11 "Disability" means "disability," as such term is defined in Section 22(e)(3) of the Code.

2.12 "Dividend Equivalents" means a right granted to a Participant pursuant to Article 8 to receive the equivalent value (in cash or Stock) of dividends paid on Stock.

2.13 "Effective Date" shall have the meaning assigned to such term in Article 12.

- 2.14 “Eligible Individual” means any person who is an Employee, a Consultant or a member of the Board, as determined by the Committee.
- 2.15 “Employee” means any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Company or any Subsidiary.
- 2.16 “Equity Restructuring” means a non-reciprocal transaction between the Company and its stockholders, such as a stock dividend, stock split, spin-off, rights offering or recapitalization, including any large non-recurring cash dividend, that affects the Stock (or other securities of the Company) or the share price and causes a change in the per share value of the Stock underlying outstanding Awards, as determined by the Committee.
- 2.17 “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- 2.18 “Fair Market Value” means, as of any given date, the fair market value of a share of Stock on the date determined by such methods or procedures as may be established from time to time by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of a share of Stock as of any date shall be the closing sales price for a share of Stock as reported on the NASDAQ Global Market or the NASDAQ Global Select Market (or on any established stock exchange or national market system on which the Stock is then listed) for the date of determination or, if no such prices are reported for that date, the closing sales price for a share of Stock on the last trading date prior to the date of determination.
- 2.19 “Incentive Stock Option” means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.
- 2.20 “Independent Director” means a member of the Board who is not an Employee of the Company.
- 2.21 “Misconduct” shall mean the occurrence of any of, but not limited to, the following: (a) conviction of a Participant of any felony or any crime involving fraud or dishonesty; (b) a Participant’s participation (whether by affirmative act or omission) in a fraud, act or dishonesty or other act of misconduct against the Company and/or any Subsidiary; (c) conduct by a Participant which, based upon a good faith and reasonable factual investigation by the Company (or, if a Participant is an executive officer, by the Board), demonstrates such Participant’s unfitness to serve; (d) a Participant’s violation of any statutory or fiduciary duty, or duty of loyalty owed to the Company and/or any Subsidiary; (e) a Participant’s violation of state or federal law in connection with the Participant’s performance of his or her job which has an adverse effect on the Company and/or any Subsidiary; and (f) a Participant’s violation of Company policy which has a material adverse effect on the Company and/or any Subsidiary. Notwithstanding the foregoing, a Participant’s Disability shall not constitute Misconduct as set forth herein. The determination that a termination is for Misconduct shall be by the Committee in its sole and exclusive judgment and discretion. Notwithstanding the foregoing, if a Participant is a party to an employment or severance agreement with the Company or any Subsidiary in effect as of the date of grant of an Award which defines “Misconduct” or “Cause” or a similar term, “Misconduct” for purposes of the Plan and such Award shall have the meaning given to such term in such employment or severance agreement.
- 2.22 “Non-Employee Director” means a member of the Board who qualifies as a “Non-Employee Director” as defined in Rule 16b-3(b)(3) of the Exchange Act, or any successor definition adopted by the Board.
- 2.23 “Non-Qualified Stock Option” means an Option that is not intended to be, or does not otherwise qualify as, an Incentive Stock Option.
- 2.24 “Option” means a right granted to a Participant pursuant to Article 5 of the Plan to purchase a specified number of shares of Stock at a specified price during specified time periods. An Option may be either an Incentive Stock Option or a Non-Qualified Stock Option.
- 2.25 “Other Stock or Cash-Based Award” means an Award granted or denominated in Stock or units of Stock or a cash value or otherwise as provided pursuant to Section 8.7 of the Plan.
- 2.26 “Participant” means any Eligible Individual who, as an Independent Director, Consultant or Employee, has been granted an Award pursuant to the Plan.

2.27 “Performance Criteria” means the criteria (and adjustments) that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period, determined as follows:

(a) The Performance Criteria that may be used to establish Performance Goals for Awards may include, without limitation, one or more of the following: earnings before interest, taxes, depreciation, and/or amortization (“EBITDA”), adjusted EBITDA, net earnings (either before or after interest, taxes, depreciation and amortization), economic value-added (as determined by the Committee), gross or net sales or revenue, net income (either before or after taxes), operating earnings, cash flow (including, but not limited to, operating cash flow and free cash flow), operating earnings, adjusted operating earnings, stockholders’ equity, return on stockholders’ equity, return on assets, return on capital, total stockholder returns, return on sales, gross or net profit or operating margin, operating or other costs and expenses, improvements in expense levels, margins, working capital, earnings per share of Stock, price per share of Stock, implementation or completion of critical projects, market share, comparisons with various stock market indices, capital raised in financing transactions or other financing milestones, market recognition (including but not limited to awards and analyst ratings), financial ratios, and implementation, completion or attainment of objectively determinable objectives relating to research, development, regulatory, commercial or strategic milestones or developments, any of which may be measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group or to market performance indicators or indices. Any Performance Criteria may, in the discretion of the Committee, be determined in accordance with Applicable Accounting Standards, if applicable.

(b) The Committee may, in its sole discretion, provide that one or more adjustments will be made to one or more of the Performance Goals established for any Performance Period. Such adjustments may include, without limitation, one or more of the following: items related to a change in accounting principles, items relating to financing activities, expenses for restructuring or productivity initiatives, non-cash charges, including those relating to share-based awards, other non-operating items, items related to acquisitions or other strategic transactions, items attributable to the business operations of any entity acquired by us during the Performance Period, items related to the disposal of a business or segment of a business, items related to discontinued operations that do not qualify as a segment of a business under Applicable Accounting Standards, items attributable to any stock dividend, stock split, combination or exchange of shares occurring during the Performance Period, any other items of significant income or expense which are determined to be appropriate adjustments, items relating to unusual or extraordinary corporate transactions, events or developments, items related to amortization of acquired intangible assets, items that are outside the scope of the Company’s core, on-going business activities, items relating to changes in tax laws, items relating to asset impairment charges, items relating to gains or losses for litigation, arbitration and contractual settlements, or items relating to any other unusual or nonrecurring events or changes in applicable laws, accounting principles or business conditions.

2.28 “Performance Goals” means, for a Performance Period, the goals established in writing by the Committee for the Performance Period, which goals may be based upon the Performance Criteria. The Performance Goals may be expressed in terms of overall Company performance or the performance of a Subsidiary, division, business unit, or an individual.

2.29 “Performance Period” means the one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to, and the payment of, an Award.

2.30 “Performance Share” means a right granted to a Participant pursuant to Article 8, to receive Stock, the payment of which is contingent upon achieving certain Performance Goals or other performance-based targets established by the Committee.

2.31 “Performance Stock Unit” means a right granted to a Participant pursuant to Article 8, to receive Stock, the payment of which is contingent upon achieving certain Performance Goals or other performance-based targets established by the Committee.

2.32 “Person” has the meaning as defined in Section 3(a)(9) of the Exchange Act and used in Section 13(d) or 14(d) of the Exchange Act, and will include any “group” as such term is used in such sections.

- 2.33 “Plan” means this AeroVironment, Inc. 2021 Equity Incentive Plan, as it may be further amended from time to time.
- 2.34 “Prior Plan” means the AeroVironment, Inc. 2006 Equity Incentive Plan, as amended and restated.
- 2.35 “Prior Plan Award” means an award outstanding under the Prior Plan as of the Effective Date.
- 2.36 “Restricted Stock” means Stock awarded to a Participant pursuant to Article 6 that is subject to certain restrictions and may be subject to risk of forfeiture.
- 2.37 “Restricted Stock Unit” means an Award granted pursuant to Section 8.6.
- 2.38 “Securities Act” shall mean the Securities Act of 1933, as amended.
- 2.39 “Stock” means the common stock of the Company, \$0.0001 par value, and such other securities of the Company that may be substituted for Stock pursuant to Article 10.
- 2.40 “Stock Appreciation Right” or “SAR” means a right granted pursuant to Article 7 to receive a payment equal to the excess of the Fair Market Value of a specified number of shares of Stock on the date the SAR is exercised over the Fair Market Value on the date the SAR was granted as set forth in the applicable Award Agreement.
- 2.41 “Stock Payment” means (a) a payment in the form of shares of Stock, or (b) an option or other right to purchase shares of Stock, as part of any bonus, deferred compensation or other arrangement, made in lieu of all or any portion of the compensation, granted pursuant to Article 8.
- 2.42 “Subsidiary” means any “subsidiary corporation” as defined in Section 424(f) of the Code and any applicable regulations promulgated thereunder or any other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company.
- 2.43 “Substitute Award” shall mean an Award granted under the Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock; provided, however, that in no event shall the term “Substitute Award” be construed to refer to an award made in connection with the cancellation and repricing of an Option or Stock Appreciation Right.
- 2.44 “Termination of Consultancy” shall mean the time when the engagement of the Participant as a Consultant to the Company or to a Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, by resignation, discharge, death or retirement, but excluding: (a) terminations where there is a simultaneous employment or continuing employment of the Participant by the Company or any Subsidiary, and (b) terminations where there is a simultaneous reestablishment of a consulting relationship or continuing consulting relationship between the Participant and the Company or any Subsidiary. The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Consultancy, including, but not by way of limitation, the question of whether a particular leave of absence constitutes a Termination of Consultancy. Notwithstanding any other provision of the Plan, the Company or any Subsidiary has an absolute and unrestricted right to terminate a Consultant’s service at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in writing.
- 2.45 “Termination of Directorship” shall mean the time when the Participant, if he or she is or becomes an Independent Director, ceases to be a Director for any reason, including, but not by way of limitation, a termination by resignation, failure to be elected, death or retirement. The Board, in its sole and absolute discretion, shall determine the effect of all matters and questions relating to Termination of Directorship with respect to Independent Directors.
- 2.46 “Termination of Employment” shall mean the time when the employee-employer relationship between the Participant and the Company or any Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, Disability or retirement; but excluding: (a) terminations where there is a simultaneous reemployment or continuing employment of the Participant by the Company or any Subsidiary, and (b) terminations where there is a simultaneous establishment of a consulting relationship or continuing consulting relationship between the Participant and

the Company or any Subsidiary. The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a particular leave of absence constitutes a Termination of Employment.

2.47 “Termination of Service” shall mean the last to occur of a Participant’s Termination of Consultancy, Termination of Directorship or Termination of Employment, as applicable. A Participant shall not be deemed to have a Termination of Service merely because of a change in the capacity in which the Participant renders service to the Company or any Subsidiary (*i.e.*, a Participant who is an Employee becomes a Consultant) or a change in the entity for which the Participant renders such service (*i.e.*, an Employee of the Company becomes an Employee of a Subsidiary), unless following such change in capacity or service the Participant is no longer serving as an Employee, Independent Director or Consultant of the Company or any Subsidiary.

ARTICLE 3

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to Article 10, the aggregate number of shares of Stock which may be issued or transferred pursuant to Awards under the Plan shall be equal to the sum of (i) 1,240,000 shares, plus (ii) any shares subject to Prior Plan Awards that again become available for grant pursuant to this Section 3.1(a) on or after the Effective Date. The Prior Plan expired prior to the Effective Date, and no further awards may be granted under the Prior Plan; however Prior Plan Awards will remain subject to the terms of the Prior Plan. To the extent that an Award or a Prior Plan Award terminates, expires, or lapses for any reason, or an Award or Prior Plan Award is settled in cash without the delivery of shares of Stock to the Participant, then any shares of Stock subject to the Award or the Prior Plan Award shall again be available for the grant of an Award pursuant to the Plan. Additionally, any shares of Stock tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any Award or any Prior Plan Award shall again be available for the grant of an Award pursuant to the Plan. If any shares of Restricted Stock are forfeited by a Participant or repurchased by the Company pursuant to Section 6.3 hereof, such shares shall again be available for the grant of an Award pursuant to the Plan. The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards (or Prior Plan Awards) shall not be counted against the shares available for issuance under the Plan. Notwithstanding anything to the contrary herein, no more than 1,240,000 shares of Stock may be issued pursuant to the exercise of Incentive Stock Options granted under the Plan.

(b) To the extent permitted by applicable law or any exchange rule, Substitute Awards shall not reduce the shares of Stock authorized for grant under the Plan. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the shares of Stock authorized for grant under the Plan (and shares of Stock subject to such Awards shall not be added to the shares available for Awards under the Plan as provided in Section 3.1(a) above); provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and grants of Awards using such available shares are permitted without stockholder approval under the rules of the principal securities exchange on which the shares of Stock are then listed and such grants shall only be made to individuals who were not employed by or providing services to the Company or its Subsidiaries immediately prior to such acquisition or combination.

(c) Notwithstanding the provisions of this Section 3.1, no shares of Stock may again be or, as applicable, may become eligible to be, optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

3.2 Stock Distributed. Any Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Stock, treasury Stock or Stock purchased on the open market.

3.3 Limitation on Director Compensation. Notwithstanding any provision in the Plan to the contrary, and subject to Article 10, the sum of any cash compensation, or other compensation, and the value (determined as of the grant date in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor thereto) of Awards granted to an Independent Director as compensation for services as an Independent Director during any fiscal year of the Company may not exceed \$500,000, increased to \$700,000 in the fiscal year of his or her initial service as an Independent Director. The Committee may make exceptions to this limit for individual Independent Directors in extraordinary circumstances, as the Committee may determine in its discretion, provided that the Independent Director receiving such additional compensation may not participate in the decision to award such compensation or in other contemporaneous compensation decisions involving Independent Directors.

ARTICLE 4

ELIGIBILITY AND PARTICIPATION

4.1 Eligibility. Each Eligible Individual shall be eligible to be granted one or more Awards pursuant to the Plan.

4.2 Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from among all Eligible Individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No Eligible Individual shall have any right to be granted an Award pursuant to this Plan.

4.3 Foreign Participants. In order to assure the viability of Awards granted to Participants employed in foreign countries, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements, or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; *provided, however*, that no such supplements, amendments, restatements, or alternative versions shall increase the share limitations contained in Sections 3.1 of the Plan.

ARTICLE 5

STOCK OPTIONS

5.1 General. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) Exercise Price. The exercise price per share of Stock subject to an Option shall be determined by the Committee and set forth in the Award Agreement; *provided* that the exercise price for any Option shall not be less than 100% of the Fair Market Value of a share of Stock on the date of grant.

(b) Time and Conditions of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part; *provided, however*, that the term of an Option shall not be more than ten years from the date the Option is granted. The Committee shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(c) Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company, or such other person or entity designated by the Committee, or his, her or its office, as applicable:

(i) A written or electronic notice complying with the applicable rules established by the Committee stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Participant or other person then entitled to exercise the Option or such portion of the Option;

(ii) Such representations and documents as the Committee, in its sole discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal, state or foreign securities laws or regulations. The Committee may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars;

(iii) In the event that the Option shall be exercised pursuant to Section 9.5 by any person or persons other than the Participant, appropriate proof of the right of such person or persons to exercise the Option; and

(iv) Full payment of the exercise price and applicable withholding taxes to the Secretary of the Company for the shares with respect to which the Option, or portion thereof, is exercised, in a manner permitted by Section 9.1 and 9.2.

5.2 Incentive Stock Options. The terms of any Incentive Stock Options granted pursuant to the Plan must comply with the conditions and limitations contained Article 12 and this Section 5.2.

(a) Eligibility. Incentive Stock Options may be granted only to employees (as defined in accordance with Section 3401(c) of the Code) of the Company or a Subsidiary which constitutes a "subsidiary corporation" of the Company (within the meaning of Section 424(f) of the Code and the applicable regulations promulgated thereunder).

(b) Exercise Price. The exercise price per share of Stock shall be set by the Committee; *provided* that subject to Section 5.2(e) the exercise price for any Incentive Stock Option shall not be less than 100% of the Fair Market Value on the date of grant.

(c) Expiration. Subject to Section 5.2(e), an Incentive Stock Option may not be exercised to any extent by anyone after the tenth anniversary of the date it is granted, unless an earlier time is set in the Award Agreement.

(d) Individual Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all shares of Stock with respect to which Incentive Stock Options are first exercisable by a Participant in any calendar year may not exceed \$100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Stock Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Stock Options.

(e) Ten Percent Owners. An Incentive Stock Option shall be granted to any individual who, at the date of grant, owns stock possessing more than ten percent of the total combined voting power of all classes of Stock of the Company or any "subsidiary corporation" of the Company (within the meaning of Section 424 of the Code) only if such Option is granted at an exercise price per share that is not less than 110% of the Fair Market Value per share of Stock on the date of grant and the Option is exercisable for no more than five years from the date of grant.

(f) Notice of Disposition. The Participant shall give the Company prompt notice of any disposition of shares of Stock acquired by exercise of an Incentive Stock Option within (i) two years from the date of grant of such Incentive Stock Option or (ii) one year after the transfer of such shares of Stock to the Participant.

(g) Transferability; Right to Exercise. An Incentive Stock Option shall not be transferable by the Participant other than by will or by the laws of descent or distribution. During a Participant's lifetime, an Incentive Stock Option may be exercised only by the Participant.

5.3 Substitute Awards. Notwithstanding the foregoing provisions of this Article 5 to the contrary, in the case of an Option that is a Substitute Award, the price per share of the shares of Stock subject to such Option may be less than the Fair Market Value per share on the date of grant; *provided* that, unless otherwise determined by the Committee, the exercise price of any Substitute Award shall be determined in accordance with the applicable requirements of Sections 424 and 409A of the Code .

ARTICLE 6

RESTRICTED STOCK AWARDS

6.1 Grant of Restricted Stock. The Committee is authorized to make Awards of Restricted Stock to any Participant selected by the Committee in such amounts and subject to such terms and conditions as determined by the Committee. The Committee shall establish the purchase price, if any, and form of payment for Restricted Stock; *provided, however*, that if a purchase price is charged, such purchase price shall be no

less than the par value, if any, of the shares of Stock to be purchased, unless otherwise permitted by applicable law. In all cases, legal consideration shall be required for each issuance of Restricted Stock.

6.2 Issuance and Restrictions. Restricted Stock shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter. Notwithstanding anything to the contrary herein, dividends with respect to an Award of Restricted Stock subject to vesting shall be accumulated and subject to vesting to the same extent as the related shares of Restricted Stock.

6.3 Repurchase or Forfeiture of Restricted Stock. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, (a) if no price was paid by the Participant for the Restricted Stock, upon a Termination of Service during the applicable restriction period, the Participant's rights in unvested Restricted Stock then subject to restrictions shall lapse, and such Restricted Stock shall be surrendered to the Company and cancelled without consideration, and (b) if a price was paid by the Participant for the Restricted Stock, upon a Termination of Service during the applicable restriction period, the Company shall have the right to repurchase from the Participant the unvested Restricted Stock then subject to restrictions at a cash price per share equal to the price paid by the Participant for such Restricted Stock or such other amount as may be specified in the Award Agreement.

6.4 Certificates or Book Entries for Restricted Stock. Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Committee shall determine. Certificates or book entries evidencing shares of Restricted Stock must bear an appropriate legend or notation referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, at its discretion, retain physical possession of any stock certificate until such time as all applicable restrictions lapse or the Award Agreement may provide that the shares shall be held in escrow by an escrow agent designated by the Company.

ARTICLE 7

STOCK APPRECIATION RIGHTS

7.1 Grant of Stock Appreciation Rights. A Stock Appreciation Right may be granted to any Participant selected by the Committee. A Stock Appreciation Right shall be subject to such terms and conditions not inconsistent with the Plan as the Committee shall impose.

7.2 Stock Appreciation Rights.

(a) A Stock Appreciation Right shall have a term set by the Committee, which term shall not be more than ten (10) years from the date the Stock Appreciation Right is granted. A Stock Appreciation Right shall be exercisable in such installments as the Committee may determine. A Stock Appreciation Right shall cover such number of shares of Stock as the Committee may determine.

(b) A Stock Appreciation Right shall entitle the Participant (or other person entitled to exercise the Stock Appreciation Right pursuant to the Plan) to exercise all or a specified portion of the Stock Appreciation Right (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by multiplying the difference obtained by subtracting the exercise price per share of the Stock Appreciation Right from the Fair Market Value of a share of Stock on the date of exercise of the Stock Appreciation Right by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised, subject to any limitations the Committee may impose. Except as described in (c) below, the exercise price per share of Stock subject to each Stock Appreciation Right shall be set by the Committee, but shall not be less than 100% of the Fair Market Value on the date the Stock Appreciation Right is granted.

(c) Notwithstanding the foregoing provisions of Section 7.2(b) to the contrary, in the case of a Stock Appreciation Right that is a Substitute Award, the price per share of the shares of Stock subject to such Stock Appreciation Right may be less than 100% of the Fair Market Value per share on the date of grant; provided that unless otherwise determined by the Committee, the exercise price of any Substitute Award shall be determined in accordance with the applicable requirements of Sections 424 and 409A of the Code.

7.3 Payment and Limitations on Exercise.

(a) Payment of the amounts determined under Section 7.2(b) above shall be in cash, in Stock (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised) or a combination of both, as determined by the Committee in the Award Agreement. To the extent payment for a Stock Appreciation Right is to be made in cash, the Award Agreements shall specify the date of payment which may be different than the date of exercise of the Stock Appreciation Right, to the extent necessary to comply with the requirements of Section 409A of the Code, as applicable. If the date of payment for a Stock Appreciation Right is later than the date of exercise, the Award Agreement may specify that the Participant be entitled to earnings on such amount until paid.

(b) To the extent any payment under Section 7.2(b) is effected in Stock it shall be made subject to satisfaction of all provisions of Article 5 above pertaining to Options.

7.4 Manner of Exercise. All or a portion of an exercisable Stock Appreciation Right shall be deemed exercised upon delivery of all of the following to the Secretary of the Company, or such other person or entity designated by the Committee, or his, her or its office, as applicable:

(a) A written or electronic notice complying with the applicable rules established by the Committee stating that the Stock Appreciation Right, or a portion thereof, is exercised. The notice shall be signed by the Participant or other person then entitled to exercise the Stock Appreciation Right or such portion of the Stock Appreciation Right;

(b) Such representations and documents as the Committee, in its sole discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal, state or foreign securities laws or regulations. The Committee may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance; and

(c) In the event that the Stock Appreciation Right shall be exercised pursuant to this Section 7.4 by any person or persons other than the Participant, appropriate proof of the right of such person or persons to exercise the Stock Appreciation Right

ARTICLE 8

OTHER TYPES OF AWARDS

8.1 Performance Share Awards. Any Participant selected by the Committee may be granted one or more Performance Share awards which shall be denominated in a number of shares of Stock and which may be linked to any one or more of the Performance Criteria or other specific performance criteria determined appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular Participant.

8.2 Performance Stock Units. Any Participant selected by the Committee may be granted one or more Performance Stock Unit awards which shall be denominated in units of value including dollar value of shares of Stock and which may be linked to any one or more of the Performance Criteria or other specific performance criteria determined appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular Participant.

8.3 Dividend Equivalents.

(a) Any Participant selected by the Committee may be granted Dividend Equivalents based on the dividends declared on the shares of Stock that are subject to any Award, to be credited as of dividend payment dates, during the period between the date the Award is granted and the date the Award is exercised, vests or expires, as determined by the Committee. Such Dividend Equivalents shall be converted to cash or additional shares of Stock by such formula as may be determined by the Committee.

(b) Notwithstanding anything to the contrary in the Plan, dividends or Dividend Equivalents with respect to an Award that is subject to vesting and that are based on dividends paid prior to the vesting of such

Award shall only be paid out to the Participant to the extent that the vesting conditions applicable to such Award are subsequently satisfied and such Award vests.

(c) Notwithstanding the foregoing, no dividends or Dividend Equivalents shall be payable on or with respect to with respect to Options or SARs.

8.4 Stock Payments. Any Participant selected by the Committee may receive Stock Payments in the manner determined from time to time by the Committee. The number of shares of Stock or the number of options or other rights to purchase shares of Stock subject to a Stock Payment shall be determined by the Committee and may be based upon the Performance Criteria or other specific performance criteria determined appropriate by the Committee, determined on the date such Stock Payment is made or on any date thereafter.

8.5 Deferred Stock. Any Participant selected by the Committee may be granted an award of Deferred Stock in the manner determined from time to time by the Committee. The number of shares of Deferred Stock shall be determined by the Committee and may be linked to the Performance Criteria or other specific performance criteria determined to be appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. Stock underlying a Deferred Stock award will not be issued until the Deferred Stock award has vested, pursuant to a vesting schedule or performance criteria set by the Committee. Unless otherwise provided by the Committee, a Participant awarded Deferred Stock shall have no rights as a Company stockholder with respect to such Deferred Stock until such time as the Deferred Stock Award has vested and the Stock underlying the Deferred Stock Award has been issued. Deferred Stock Awards may also provide for settlement in cash, in the discretion of the Committee.

8.6 Restricted Stock Units. The Committee is authorized to make Awards of Restricted Stock Units to any Participant selected by the Committee in such amounts and subject to such terms and conditions as determined by the Committee. At the time of grant, the Committee shall specify the date or dates on which the Restricted Stock Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate. At the time of grant, the Committee shall specify the maturity date applicable to each grant of Restricted Stock Units which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the grantee. On the maturity date, the Company shall, subject to Section 9.7(b), transfer to the Participant one unrestricted, fully transferable share of Stock for each Restricted Stock Unit scheduled to be paid out on such date and not previously forfeited. The Committee shall specify the purchase price, if any, to be paid by the grantee to the Company for such shares of Stock. Restricted Stock Units may also provide for settlement in cash, in the discretion of the Committee.

8.7 Other Stock or Cash-Based Awards. Any Participant selected by the Committee may be granted one or more Awards that provide Participants with shares of Stock, the right to purchase shares of Stock or cash or that have a value derived from the value of, or an exercise or conversion privilege at a price related to, or that are otherwise payable in shares of Stock or cash and which may be linked to any one or more of the Performance Criteria or other specific performance criteria determined appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of Award) the contributions, responsibilities and other compensation of the particular Participant. Other Stock or Cash-Based Awards may be paid in cash, Stock or other property, or a combination thereof, as determined by the Committee.

8.8 Term. Except as otherwise provided herein, the term of any Award of Performance Shares, Performance Stock Units, Dividend Equivalents, Stock Payments, Deferred Stock, Restricted Stock Units or Other Stock or Cash-Based Award shall be set by the Committee in its discretion.

8.9 Exercise or Purchase Price. The Committee may establish the exercise or purchase price, if any, of any Award of Performance Shares, Performance Stock Units, Deferred Stock, Stock Payments, Restricted Stock Units or Other Stock or Cash-Based Award; *provided, however*, that the value of the consideration for any shares of Stock issued pursuant to such Awards shall not be less than the par value of a share of Stock on the date of grant, unless otherwise permitted by applicable law. In all cases, legal consideration shall be required for each issuance of shares of Stock pursuant to an Award.

8.10 Exercise Upon Termination of Service. An Award of Performance Shares, Performance Stock Units, Dividend Equivalents, Deferred Stock, Stock Payments, Restricted Stock Units and Other Stock or Cash-Based Award shall only be exercisable or payable while the Participant is an Employee, Consultant or a

member of the Board, as applicable; *provided, however*, that the Committee in its sole and absolute discretion may provide that an Award of Performance Shares, Performance Stock Units, Dividend Equivalents, Stock Payments, Deferred Stock, Restricted Stock Units or Other Stock or Cash-Based Award may be exercised or paid subsequent to a Termination of Service or following a Change in Control of the Company, or because of the Participant's retirement, death or Disability, or otherwise.

ARTICLE 9

PROVISIONS APPLICABLE TO AWARDS

9.1 **Payment.** The Committee shall determine the methods by which payments by any Participant with respect to any Awards granted under the Plan shall be made, which methods may include, without limitation: (a) cash, (b) promissory note bearing interest at no less than such rate as shall then preclude the imputation of interest under the Code, (c) shares of Stock (including, in the case of payment of the exercise price of an Award, shares of Stock issuable pursuant to the exercise of the Award) held for such period of time as may be required by the Committee in order to avoid adverse accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate payments required, (d) delivery of a notice that the Participant has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise or vesting of an Award, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate payments required, *provided*, that payment of such proceeds is then made to the Company upon settlement of such sale, or (e) other property acceptable to the Committee. The Committee shall also determine the methods by which shares of Stock shall be delivered or deemed to be delivered to Participants. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a member of the Board or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option in any method which would violate Section 13(k) of the Exchange Act.

9.2 **Withholding.** The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local and foreign taxes (including the Participant's FICA or employment tax obligation) required by law to be withheld with respect to any taxable event concerning a Participant arising as a result of this Plan. The Company may deduct an amount sufficient to satisfy such tax obligations based on the applicable statutory withholding rates (or such other rate as may be determined by the Company after considering any accounting consequences or costs) from any payment of any kind otherwise due to a Participant. In the absence of a contrary determination by the Company (or, with respect to withholding pursuant to clause (ii) below with respect to Awards held by individuals subject to Section 16 of the Exchange Act, a contrary determination by the Committee), all tax withholding obligations will be calculated based on the minimum applicable statutory withholding rates. Subject to any Company insider trading policy (including blackout periods), Participants may satisfy such tax obligations (a) in cash, provided that the Company may limit the use of cash if one or more of the payment forms below is permitted, (b) to the extent permitted by the Committee, in shares of Stock (including, in the case of payment of the exercise price of an Award, shares of Stock issuable pursuant to the exercise of the Award) held for such period of time as may be required by the Committee in order to avoid adverse accounting consequences and having a fair market value on the date of delivery equal to the aggregate payments required, (c) unless the Committee determines otherwise, delivery of a notice that the Participant has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise or vesting of an Award, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate payments required, *provided*, that payment of such proceeds is then made to the Company upon settlement of such sale, or (d) other property acceptable to the Committee. Notwithstanding any other provision of the Plan, the number of shares of Stock which may be withheld or surrendered pursuant to clause (b) of the immediately preceding sentence with respect to the issuance, vesting, exercise or payment of any Award shall be limited to the number of shares of Stock which have a fair market value on the date of withholding or surrender equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income (or such higher tax rates as may be approved by the Committee, which rates shall in no event exceed the maximum individual statutory tax rate in the applicable jurisdiction at the time of such withholding (or such other rate as may be required to avoid the liability classification of the applicable award under generally accepted accounting principles in the United States of America)); *provided*, that the number of shares of Stock withheld delivered or returned shall be rounded up to the nearest whole share sufficient to cover the applicable tax withholding obligation to the

extent rounding up to the nearest whole share does not result in the liability classification of the applicable Award under generally accepted accounting principles in the United States of America. The Committee shall determine the fair market value of the Stock, consistent with applicable provisions of the Code, for tax withholding obligations due in connection with a broker-assisted cashless Option or Stock Appreciation Right exercise involving the sale of shares to pay the Option or Stock Appreciation Right exercise price or any tax withholding obligation.

9.3 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the discretion of the Committee, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

9.4 Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event the Participant's employment or service terminates, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

9.5 Limits on Transfer. No right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or a Subsidiary. Except as otherwise provided by the Committee, no Award shall be assigned, transferred, or otherwise disposed of by a Participant other than by will or the laws of descent and distribution. The Committee by express provision in the Award or an amendment thereto may permit an Award (other than an Incentive Stock Option) to be transferred to, exercised by and paid to certain persons or entities related to the Participant, including but not limited to members of the Participant's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee may establish. Any permitted transfer shall be subject to the condition that the Committee receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes (or to a "blind trust" in connection with the Participant's Termination of Service with the Company or a Subsidiary to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities.

9.6 Beneficiaries. Notwithstanding Section 9.5, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If the Participant is married and resides in a community property state, a designation of a person other than the Participant's spouse as his or her beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

9.7 Stock Certificates; Book Entry Procedures.

(a) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates or make any book entries evidencing shares of Stock pursuant to the exercise of any Award, unless and until the Board has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed or traded. All Stock certificates delivered pursuant to the Plan and all shares issued pursuant to book-entry procedures are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with federal, state, or foreign jurisdiction, securities or other laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Stock is listed, quoted, or traded. The Committee may place legends or notations on any

Stock certificate or book-entry to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Board may require that a Participant make such reasonable covenants, agreements, and representations as the Board, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Committee shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Committee.

(b) Notwithstanding any other provision of the Plan, unless otherwise determined by the Committee or required by any applicable law, rule or regulation, the Company shall not deliver to any Participant certificates evidencing shares of Stock issued in connection with any Award and instead such shares of Stock shall be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator).

9.8 Paperless Administration. In the event that the Company establishes for itself or using the services of a third party, an automated system for the documentation, granting or exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless documentation, granting or exercise of Awards by a Participant may be permitted through the use of such an automated system.

9.9 Forfeiture and Claw-Back Provisions. Pursuant to its general authority to determine the terms and conditions applicable to Awards under the Plan, the Committee shall have the right to provide, in an Award Agreement or otherwise, or to require a Participant to agree by separate written or electronic instrument, that:

(a) (i) Any proceeds, gains or other economic benefit actually or constructively received by the Participant upon any receipt or exercise of the Award, or upon the receipt or resale of any shares of Stock underlying the Award, must be paid to the Company, and (ii) the Award shall terminate and any unexercised portion of the Award (whether or not vested) shall be forfeited, if (x) a Termination of Service occurs prior to a specified date, or within a specified time period following receipt or exercise of the Award, or (y) the Participant at any time, or during a specified time period, engages in any activity in competition with the Company, or which is inimical, contrary or harmful to the interests of the Company, as further defined by the Committee or (z) the Participant incurs a Termination of Service for Misconduct; and

(b) All Awards (including any proceeds, gains or other economic benefit actually or constructively received by the Participant upon any receipt or exercise of any Award or upon the receipt or resale of any shares of Stock underlying the Award) shall be subject to the provisions of any claw-back policy implemented by the Company, including, without limitation, any claw-back policy adopted to comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder, to the extent set forth in such claw-back policy and/or in the applicable Award Agreement.

9.10 Prohibition on Repricing. Subject to Article 10, neither the Board nor the Committee shall, without the approval of the stockholders of the Company, (a) authorize the amendment of any outstanding Option or Stock Appreciation Right to reduce its price per share, or (b) cancel any Option or Stock Appreciation Right in exchange for cash or another Award when the Option or Stock Appreciation Right price per share exceeds the Fair Market Value of the underlying shares of Stock. Subject to Article 10, the Committee shall have the authority, without the approval of the stockholders of the Company, to amend any outstanding Award to increase the price per share or to cancel and replace an Award with the grant of an Award having a price per share that is greater than or equal to the price per share of the original Award. Furthermore, for purposes of this Section 9.10, except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Awards may not be amended to reduce the exercise price per share of outstanding Options or Stock Appreciation Rights or cancel outstanding Options or Stock Appreciation Rights in exchange for cash, other Awards or Options or Stock Appreciation Rights with an exercise price per share that is less than the exercise price per share of the original Options or Stock Appreciation Rights without the approval of the stockholders of the Company.

ARTICLE 10
CHANGES IN CAPITAL STRUCTURE

10.1 Adjustments.

(a) In the event that any dividend or other distribution, reorganization, merger, consolidation, combination, repurchase, or exchange of Stock or other securities of the Company, or other change in the corporate structure of the Company affecting the Stock (other than an Equity Restructuring) occurs such that an adjustment is determined by the Committee (in its sole discretion) to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust (i) the number and type of shares which may be delivered under the Plan (including but not limited to adjustments of the limitations in Section 3.1); (ii) the terms and conditions of any outstanding Awards (including without limitation, any applicable performance targets or criteria with respect thereto); and (iii) the grant or exercise price per share and the number of shares of Stock covered by each Award.

(b) In connection with the occurrence of any Equity Restructuring, and notwithstanding anything to the contrary in Section 10(a):

(i) The number and type of securities subject to each outstanding Award and the exercise price or grant price thereof, if applicable, will be proportionately adjusted so that the fair value of each such Award and the proportionate interest represented thereby immediately after the Equity Restructuring will equal the fair value of such Award and the proportionate interest represented thereby immediately prior to such Equity Restructuring. The adjustments provided under this Section 10(b)(i) shall be nondiscretionary and shall be final and binding on the affected Participant and the Company.

(ii) The Committee shall make such proportionate adjustments, if any, as it in its discretion may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1).

(c) All adjustments under this Section 10.1 shall be made (i) in a manner that does not cause a modification to any Awards outstanding on the date of such adjustment within the meaning of Section 409A of the Code and the regulations or published guidance thereunder and (ii) with respect to any Incentive Stock Option consistent with the requirements of Section 424 of the Code.

(d) In the event of any transaction or event described in Section 10.1(a), an Equity Restructuring or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate (including without limitation any Change in Control), or of changes in applicable laws, regulations or accounting principles, and whenever the Committee determines that action is appropriate in order to prevent the dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles, the Committee, in its sole discretion and on such terms and conditions as it deems appropriate, either by amendment of the terms of any outstanding Awards or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Participant's request, is hereby authorized to take any one or more of the following actions:

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash (except with respect to Independent Directors) and/or other property, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 10.1(b) the Committee determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Committee in its sole discretion;

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the

stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices; and

(iii) To make adjustments in the number and type of shares of Stock (or other securities or property) subject to outstanding Awards, and in the number and kind of outstanding Restricted Stock or Deferred Stock and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding options, rights and awards and options, rights and awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Award Agreement; and

(v) To provide that the Award cannot vest, be exercised or become payable after such event.

10.2 Acceleration Upon a Change in Control. Notwithstanding Section 10.1, and except as may otherwise be provided in any applicable Award Agreement or other written agreement entered into between the Company or any Subsidiary or affiliate and a Participant, if a Change in Control occurs and a Participant's Awards are not converted, assumed, or replaced by a successor entity, then immediately prior to the Change in Control such Awards shall become fully exercisable and all forfeiture restrictions on such Awards shall lapse. Upon, or in anticipation of, a Change in Control, the Committee may cause any and all Awards outstanding hereunder to terminate at a specific time in the future, including but not limited to the date of such Change in Control, and shall give each Participant the right to exercise such Awards during a period of time as the Committee, in its sole and absolute discretion, shall determine or the right to receive the consideration that stockholders of the Company would receive in connection with such Change in Control less any exercise price or base price for any Award. In the event that the terms of any agreement between the Company or any Subsidiary or affiliate and a Participant contains provisions that conflict with and are more restrictive than the provisions of this Section 10.2, this Section 10.2 shall prevail and control and the more restrictive terms of such agreement (and only such terms) shall be of no force or effect.

10.3 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Committee under the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Stock subject to an Award or the grant or exercise price of any Award.

ARTICLE 11

ADMINISTRATION

11.1 Committee. The administrator of the Plan shall be the Committee, which shall consist solely of two or more members of the Board each of whom is both an Independent Director and a Non-Employee Director; *provided* that any action taken by the Committee shall be valid and effective, whether or not members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership set forth in this Section 11.1 or otherwise provided in any charter of the Committee. Additionally, to the extent required by applicable law, each of the individuals constituting the Committee (or another committee or subcommittee of the Board assuming the functions of the Committee under the Plan) shall be an "independent director" under the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded. Notwithstanding the foregoing: (a) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to all Awards granted to Independent Directors and for purposes of such Awards the term "Committee" as used in this Plan shall be deemed to refer to the Board and (b) the Committee may delegate its authority hereunder to the extent permitted by Section 11.5. In addition, in its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which are required to be determined in the sole discretion of the Committee under Rule 16b-3 of the Exchange Act, or any regulations or rules issued thereunder. Appointment of Committee members shall be effective upon acceptance of appointment. The Board may abolish the Committee at any time and reconstitute in

the Board the administration of the Plan. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may only be filled by the Board.

11.2 Action by the Committee. A majority of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by a majority of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or of any Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company or any Subsidiary to assist in the administration of the Plan.

11.3 Authority of Committee. Subject to any specific designation in the Plan, the Committee has the exclusive power, authority and discretion to:

- (a) Designate Participants to receive Awards;
- (b) Determine the type or types of Awards to be granted to each Participant;
- (c) Determine the number of Awards to be granted and the number of shares of Stock to which an Award will relate;
- (d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion;;
- (e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;
- (f) Prescribe the form of each Award Agreement, which need not be identical for each Participant;
- (g) Decide all other matters that must be determined in connection with an Award;
- (h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;
- (i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and
- (j) Make all other decisions and determinations that may be required pursuant to the Plan or as the Committee deems necessary or advisable to administer the Plan.

11.4 Decisions Binding. The Committee's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

11.5 Delegation of Authority. To the extent permitted by and subject to the provisions of applicable law, the Committee may from time to time delegate to a committee of one or more members of the Board or one or more officers of the Company the authority to grant or amend Awards to Participants other than (a) senior executives of the Company who are subject to Section 16 of the Exchange Act, or (b) officers of the Company (or members of the Board) to whom authority to grant or amend Awards has been delegated hereunder. Any delegation hereunder shall be subject to the restrictions and limits that the Committee specifies at the time of such delegation, and the Committee may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 11.5 shall serve in such capacity at the pleasure of the Committee.

ARTICLE 12

EFFECTIVE DATE

The Plan will be effective as of the date on which it is approved by the Company's stockholders (the "Effective Date"). The Plan will be submitted for the approval of the Company's stockholders within twelve (12) months after

the date of the Board's adoption of the Plan. If the Plan is not approved by the Company's stockholders, the Plan will not become effective, no Awards will be granted under the Plan. The Plan will remain in effect until terminated by the Board or the Committee pursuant to Section 13.1.

ARTICLE 13

AMENDMENT, MODIFICATION, AND TERMINATION

13.1 Amendment, Modification and Termination. The Board or the Committee may, at any time and from time to time, terminate, amend or modify the Plan; *provided, however*, that, to the extent necessary to comply with any applicable law, regulation, or stock exchange rule, the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required. No Awards may be granted under the Plan after the Plan's termination. Awards outstanding at the time of the Plan's termination will continue to be governed by the Plan and the Award Agreement, as in effect before such termination.

13.2 Awards Previously Granted. No termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

13.3 Limit on Incentive Stock Options. Notwithstanding anything to the contrary herein, no Incentive Stock Option shall be granted under the Plan after the tenth (10th) anniversary of the earlier of (a) the date on which the Plan is adopted by the Board, or (b) the date on which the Plan is approved by the Company's stockholders.

ARTICLE 14

GENERAL PROVISIONS

14.1 No Rights to Awards. No Eligible Individual or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Committee is obligated to treat Eligible Individuals, Participants or any other persons uniformly.

14.2 No Stockholders Rights. Except as otherwise provided herein, a Participant shall have none of the rights of a stockholder with respect to shares of Stock covered by any Award until the Participant becomes the record owner of such shares of Stock.

14.3 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employ or service of the Company or any Subsidiary.

14.4 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

14.5 Indemnification. To the extent allowable pursuant to applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

14.6 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

14.7 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

14.8 Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

14.9 Fractional Shares. No fractional shares of Stock shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional shares of Stock or whether such fractional shares of Stock shall be eliminated by rounding up or down as appropriate.

14.10 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any Participant who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

14.11 Government and Other Regulations. The obligation of the Company to make payment of awards in Stock or otherwise shall be subject to all applicable laws, rules, and regulations, and to such approvals by government agencies as may be required. The Company shall be under no obligation to register pursuant to the Securities Act of 1933, as amended, any of the shares of Stock paid pursuant to the Plan. If the shares paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act of 1933, as amended, the Company may restrict the transfer of such shares in such manner as it deems advisable to ensure the availability of any such exemption.

14.12 Section 409A. To the extent that the Committee determines that any Award granted under the Plan is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the adoption of the Plan. Notwithstanding any provision of the Plan to the contrary, in the event that following the adoption of the Plan the Committee determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the adoption of the Plan), the Committee may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

14.13 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the State of California.

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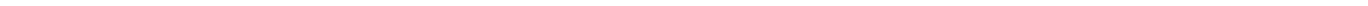


**AEROVIRONMENT, INC.
PROXY FOR ANNUAL MEETING OF STOCKHOLDERS**

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 Wahid Nawabi and Kevin McDonnell, 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 24, 2021, 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)



ANNUAL MEETING OF STOCKHOLDERS OF AEROVIRONMENT, INC.

September 24, 2021

PROXY VOTING INSTRUCTIONS

INTERNET - Access "www.voteproxy.com" and follow the on-screen instructions or scan the QR code with your smartphone. Have your proxy card available when you access the web page.



TELEPHONE - Call toll-free 1-800-PROXIES (1-800-776-9437) in the United States or 1-718-921-8500 from foreign countries and follow the instructions. Have your proxy card available when you call.

Vote online/phone until 11:59 PM EST the day before the meeting.

MAIL - Sign, date and mail your proxy card in the envelope provided as soon as possible.

COMPANY NUMBER	
ACCOUNT NUMBER	

VIRTUALLY AT THE MEETING - The company will be hosting the meeting live via the Internet this year. To attend the meeting via the Internet please visit <https://web.lumiagm.com/216888245> password: AVAV2021 (case sensitive) and be sure to have available the control number.

GO GREEN - e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy materials, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via www.astfinancial.com to enjoy online access.

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:
The Notice of Meeting, Proxy Statement, Proxy Card
are available at <http://investor.avinc.com/financial-information/annual-reports>

↓ Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone or the Internet. ↓

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A VOTE FOR EACH OF THE NOMINEES IN PROPOSAL 1 AND FOR PROPOSALS 2, 3, AND 4 IS RECOMMENDED BY THE BOARD OF DIRECTORS.
THE BOARD MAKES NO RECOMMENDATION ON PROPOSAL 5.
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' two nominees as directors:

FOR ALL NOMINEES

WITHHOLD AUTHORITY FOR ALL NOMINEES

FOR ALL EXCEPT (See instructions below)

NOMINEES:
 Cindy K. Lewis
 Wahid Nawabi

INSTRUCTIONS: 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.

Proposal 2. To ratify the selection of Deloitte & Touche LLP as the company's independent registered public accounting firm: FOR AGAINST ABSTAIN

Proposal 3. Advisory vote on the compensation of the company's Named Executive Officers: FOR AGAINST ABSTAIN

Proposal 4. Approve the AeroVnvironment, Inc. 2021 Equity Incentive Plan: FOR AGAINST ABSTAIN

Proposal 5. Advisory vote on stockholder proposal to elect directors by a majority vote: 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 EACH OF THE NOMINEES IN PROPOSAL 1 AND FOR PROPOSALS 2, 3, AND 4; PROPOSAL 5, TO THE EXTENT NO CONTRARY DIRECTION IS INDICATED, WILL BE TREATED AS ABSTENTION. 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 16, 2021 relating to the annual meeting.

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

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.