

AeroVironment Inc
Form DEF 14A
August 16, 2017

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material 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:
 - (2) Aggregate number of securities to which transaction applies:
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**Notice of 2017 Annual Meeting
of Stockholders
and Proxy Statement**

Thursday, September 28, 2017
at 9:00 a.m., Pacific Time
*994 Innovators Way
Simi Valley, CA 93065*

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

Achieving our goals in fiscal 2017 positions us well for continued growth and value creation in fiscal 2018. In our core business, we remain a leader in multiple markets with strong customer relationships and growth opportunities. In our growth portfolio, Tactical Missile Systems (TMS) is now our second largest business, with a growing family of systems for multiple customers and applications, and we are poised to launch our Commercial Information Solutions business into an exciting and dynamic emerging market. We are executing against our strategy effectively and set our sights even higher for the future.

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

Q) Was fiscal 2017 a turning point for AeroVironment's financial performance?

A) We delivered record results in the fourth quarter, achieved our revenue guidance for the year and significantly exceeded our earnings per share guidance for fiscal 2017. Combined with continued strength in our international UAS and Tactical Missile Systems businesses, we began fiscal 2018 in a strong position to achieve profitable growth while also advancing our strategic priorities. Although we cannot predict the timing and rate of adoption in new markets, we see positive signals that support our views and are confident we are taking the right steps to continue building on our progress and creating value for shareholders.

Q) How do you think about capital allocation?

A) Our leadership team and board of directors regularly review the company's capital allocation priorities. Our strong balance sheet provides us with the flexibility to respond to investment opportunities when they arise and demonstrate strength and staying power to large customers when we compete for their business against much larger firms. Our lack of debt maximizes our ability to invest in research and development to move our growth initiatives toward market adoption. In addition to the uniquely valuable solutions we develop, we believe our capital structure differentiates us favorably from our competitors and supports our and our customers' ability to proceed with certainty. The board will remain disciplined in deploying shareholders' capital to fund only high-return, value enhancing opportunities, and will continue to prioritize maintaining a strong, debt free capital structure.

Q) Why don't you disclose more about your UAS revenue sources?

A) We recognize the importance of providing you, our fellow stockholders, with visibility into how we are progressing against our business objectives, including the public disclosure of contract awards. We comply with our contractual and legal obligations to provide public disclosures of contract awards and related developments in our business and make additional disclosures regarding contract awards, development milestones and other important information, when possible. Many of the products we sell and projects we work on serve customers who contractually or legally restrict our ability to discuss the details of our work publicly. In addition, in most of our business areas we increasingly face competitors eager to gather information on our capabilities, particularly when we are creating new markets or introducing innovative solutions. For these reasons, in some business areas we are not able to provide the level of visibility that some stockholders desire and that we would otherwise wish to provide. Even with these customer and competitive constraints, we always do our best to keep stockholders informed of our progress in important areas of our business to achieve our goal of providing transparency for the benefit of all our stakeholders.

Q) What will be larger in the future, your defense or your commercial business?

A) We are fortunate to have built a strong, leading position in the domestic and international defense markets for small UAS, and we are on a similar trajectory with our TMS business domestically. In our Efficient Energy Systems business, all three product lines are among the leaders in their respective markets. We will soon

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launch our Commercial Information Solutions business into an exciting emerging market. It is not possible to know the rate at which commercial customers will adopt our drone-based solutions, but we will respond to the emerging potential of these new markets based on the demand signals we receive. Regardless of which business becomes larger, the fact that we are well positioned for large defense and commercial opportunities increases the probability of creating long-term stockholder value, and also increases the potential magnitude of that value.

Q) Are your recent incremental strategic investments paying off?

A) In the early 2000s, the value of the drone technology AeroVironment pioneered in the 1980s became apparent to the first U.S. forces in Afghanistan. That value proposition in the face of a new and different threat environment drove a decade of adoption across all land forces in the U.S. Department of Defense, and now we are benefiting from similar adoption among international allies. We are also now participating in a similar initial adoption pattern emerging for AeroVironment TMS, led by demand for Switchblade. Since fiscal 2011 TMS revenue has grown by more than 50% on a compound annual basis to more than \$75 million in fiscal 2017. In other words, we are already seeing value and returns from our growth portfolio, and we believe we are at the very beginning. Our TMS family now includes six different solutions, including Switchblade, Blackwing and one Switchblade variant that has entered production. We are also on the verge of launching our Commercial Information Solution business into an exciting and dynamic emerging market. We look forward to providing more details on the returns from our strategic investments as these growth opportunities advance.

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

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AEROVIRONMENT, INC.

NOTICE OF 2017 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 2017 annual meeting of stockholders. Important information relating to the annual meeting is detailed below:

TIME: 9:00 a.m. Pacific Time on Thursday, September 28, 2017

PLACE: *The company's offices at:
994 Innovators Way
Simi Valley, CA 93065*

Unanimous Recommendations of Board of Directors

ITEMS OF BUSINESS:		
(1)	Elect Catharine Merigold, Wahid Nawabi and Stephen F. Page, each to serve as a Class II director for a three-year term;	FOR
(2)	Ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending April 30, 2018;	FOR
(3)	Conduct an advisory vote on the compensation of our Named Executive Officers;	FOR
(4)	Conduct an advisory vote on the frequency of future advisory votes on the compensation of our Named Executive Officers; and	1 YEAR
(5)	Transact such other business as may properly come before the annual meeting or any adjournments or postponements thereof.	

RECORD DATE: You can vote if you were a stockholder of the company at the close of business on August 11, 2017.

MEETING ADMISSION: **Registered Stockholders.** If you are a registered stockholder (i.e., your shares are NOT held in an account at a brokerage firm, bank, dealer or other similar organization), you or your legal representatives attending the meeting must bring an acceptable form of identification to the meeting, such as a driver's license. Legal representatives must also bring copies of any proxy or power of attorney evidencing the legal representative's right to represent the stockholder at the meeting.

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Beneficial Stockholders. If you are a beneficial stockholder (i.e., your shares are held by a brokerage firm, bank, dealer or similar organization (often referred to as "holding in street name")) you should come to the beneficial stockholders' table prior to the meeting. In order to be admitted, beneficial stockholders must bring account statements or letters from their brokers or banks showing that they owned company stock as of the close of business on August 11, 2017. In order to vote at the meeting, beneficial stockholders must bring legal proxies, which they can obtain only from their brokers or banks.

VOTING BY PROXY:

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

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

Beneficial Stockholders. If your shares are held in the name of a broker, bank or other holder of record, follow the voting instructions you receive from the holder of record to vote your shares. Without your instructions as to how to vote, brokers are not permitted to vote your shares at the annual meeting with respect to the election of directors or the advisory votes to approve the compensation of our Named Executive Officers or the frequency of future votes to approve the compensation of our Named Executive Officers. 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

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proxy on the enclosed form by the board of directors of AeroVironment, Inc. for use at our 2017 annual meeting of stockholders. We will begin distributing this proxy statement, a form of proxy and our 2017 annual report on or about August 24, 2017.

Thank you for your support.

Simi Valley, California
August 16, 2017

Tim Conner
Chairman of the Board

YOUR VOTE IS IMPORTANT

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON SEPTEMBER 28, 2017

This notice, the accompanying proxy statement, and our 2017 annual report to stockholders, which includes our annual report on Form 10-K for the fiscal year ended April 30, 2017, are available on our website at <http://investor.avinc.com/annuals-proxies.cfm>.

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PROXY SUMMARY

This proxy statement is furnished to our stockholders in connection with the solicitation of proxies by the board of directors of AeroVironment, Inc. for our 2017 annual meeting of stockholders to be held on Thursday, September 28, 2017 and any adjournments or postponements thereof, for the purposes set forth in the attached notice of annual meeting of stockholders. Our principal executive offices are located at 800 Royal Oaks Drive, Suite 210, Monrovia, California 91016. Enclosed with this proxy statement is a copy of our 2017 annual report, which includes our Form 10-K (without exhibits) for the fiscal year ended April 30, 2017. However, the 2017 annual report is not intended to be a part of this proxy statement or a solicitation of proxies.

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider and you should read the entire proxy statement before voting. For more complete information regarding the company's 2017 performance, please review our annual report on Form 10-K for the fiscal year ended April 30, 2017. This proxy statement and the accompanying proxy card are first being distributed to stockholders on or about August 24, 2017.

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 2017 annual meeting of stockholders, which will be held on Thursday, September 28, 2017, at 9:00 a.m. Pacific Time, at the company's offices at 994 Innovators Way, Simi Valley, CA 93065, and follow the instructions below to cast your vote on all of the voting matters.

Who is Eligible to Vote

You are entitled to vote at the 2017 annual meeting of stockholders if you were a stockholder of record at the close of business on August 11, 2017, the record date of the meeting. On the record date, there were 23,840,300 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 2017 annual meeting of stockholders in person, please vote right away using one of the following advance voting methods (see page 71 for additional details). Make sure to have your proxy card or voting instruction form in hand and follow the instructions.

You can vote in advance in one of three ways:

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

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Attending and Voting at the Annual Meeting

All stockholders of record may vote in person at the 2017 annual meeting of stockholders. Beneficial owners may vote in person at the meeting if they have a legal proxy, as described on page 70.

Important Note about Meeting Admission Requirements: If you plan to attend the meeting in person, you should review the important details on admission requirements on page 70.

Electronic Document Delivery

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

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Roadmap of Voting Matters

Stockholders are being asked to vote on the following matters at the 2017 annual meeting of stockholders:

Proposal 1. Election of Directors (page 8)

FOR each Director Nominee

The board believes that the combination of qualifications, skills and experiences of the director nominees would contribute to an effective and well-functioning board. The director nominees possess the necessary qualifications to assist the board in providing effective oversight of the business and strategic advice and counsel to the company's management.

Proposal 2. Ratification of the Appointment of Ernst & Young LLP as Independent Registered Public Accounting Firm (page 65)

FOR

The Audit Committee has appointed Ernst & Young LLP to serve as the company's independent registered public accounting firm for the fiscal year ending April 30, 2018. The Audit Committee and the board believe that the continued retention of Ernst & Young LLP to serve as the company's independent registered public accounting firm is in the best interests of the company and its stockholders. As a matter of good corporate governance, stockholders are being asked to ratify the Audit Committee's selection of our independent registered public accounting firm.

Proposal 3. Advisory Vote on the Compensation of our Named Executive Officers (page 67)

FOR

The company has designed its compensation programs to align employee rewards with the creation of long-term stockholder value. 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 37 and the Compensation Tables section beginning on page 56. 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.

Proposal 4. Advisory Vote On the Frequency of Future Advisory Votes on the Compensation of our Named Executive Officers

1 YEAR

(page 68)

Proposal 4 affords stockholders the opportunity to cast a vote on how often we should conduct advisory votes at future annual stockholder meetings to approve the compensation (so-called "say-on-frequency" votes) of our Named Executive Officers. Stockholders may vote to have a say-on-pay vote every year, every two years, or every three years. 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 determining the frequency of future advisory stockholder votes on the compensation of our Named Executive Officers.

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QUESTIONS AND ANSWERS (PAGE 69)

Please see the Questions and Answers section beginning on page 69 for important information about the proxy materials, voting, the annual meeting, company documents, communications and the deadlines to submit stockholder proposals for the 2018 annual meeting of stockholders. Additional questions may be directed to Investor Relations at (626) 357-9983 x4245 or investorrelations@avinc.com.

CORPORATE GOVERNANCE (PAGE 22)

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

High proportion of independent directors (6 of 8)

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

Lead Independent Director

Independent Audit, Compensation and Nominating and Corporate Governance Committees

Regular executive sessions of independent directors

Regular board and committee self-evaluations

Active stockholder engagement

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

Executive compensation driven by pay-for-performance philosophy

Share ownership guidelines and share retention policy for executives and directors

Compensation recovery policy for executives

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Director Nominees

Catharine Merigold*1	61	2015	Founder and Managing Partner of Vista Ventures	A, NCG	0
Wahid Nawabi	48	2016	President and Chief Executive Officer of the company since May 2016; former Chief Operating Officer and Senior Vice President of the company and General Manager of the company's EES division		0
Stephen F. Page*1	77	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

Other Directors

Charles Thomas Burbage*	69	2013	Former Executive Vice President and General Manager, Joint Strike Fighter Program of Lockheed Martin	C, NCG, E	0
Timothy E. Conver	73	1988	Former President and Chief Executive Officer of the company	E	0
Arnold L. Fishman*	72	1998	Founder and Former Chairman of the Board of Lieberman Research Worldwide	C	0
Charles R. Holland*	71	2004	Retired Air Force General and defense industry consultant		0
Edward R. Muller*	65	2013		L, A, C	1

Former Chairman and Chief
Executive Officer of GenOn
Energy Inc. and current and former
director of public companies

** = Independent Director*

L = Lead Independent Director

A = Audit Committee

C = Compensation Committee

E = Executive Committee

NCG = Nominating and Corporate Governance Committee

1.

If re-elected, the nominee will serve on the Audit Committee and the Nominating and Corporate Governance Committee.

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PROPOSAL 1. ELECTION OF NOMINEES TO THE BOARD OF DIRECTORS

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

The term of office of the Class II directors will expire at the annual meeting. At the recommendation of the Nominating and Corporate Governance Committee, our board of directors proposes the election of Catharine Merigold, Wahid Nawabi and Stephen F. Page. All nominees currently serve as Class II directors. Ms. Merigold was elected by the Board of Directors on July 31, 2015; Wahid Nawabi was elected by the Board of Directors on April 2, 2016, effective May 2, 2016; and Mr. Page was elected by stockholders at the 2014 annual meeting of stockholders.

Catharine Merigold

Wahid Nawabi

Stephen F. Page

Each of Ms. Merigold, Mr. Nawabi and Mr. Page has indicated his and her willingness to serve if elected. If Ms. Merigold, Mr. Nawabi or Mr. Page 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 two Class III directors, whose terms expire at the annual meeting of stockholders in 2018, and three Class I directors, whose terms expire at the annual meeting of stockholders in 2019.

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 three nominees. We have no reason to believe that the nominees will be unable or unwilling to serve if elected as directors.

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

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

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

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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 II directors will be elected on a plurality basis and the three nominees receiving the highest number of "for" votes will be elected as directors. Our Corporate Governance Guidelines,

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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., 800 Royal Oaks Drive, Suite 210, Monrovia, California 91016 or by email to corporatesecretary@avinc.com. Recommendations by stockholders that are made in accordance with these procedures will receive the same consideration as other nominees.

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DIRECTOR QUALIFICATIONS AND INDEPENDENCE

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

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

Qualifications Required of All Directors

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

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

The board has identified the qualifications, attributes, skills and experience listed in the bullets below as important for the board to possess as a whole, in light

of the company's current needs and business priorities.

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

extensive knowledge of the company's business;

aerospace and defense industry expertise;

alternative energy, automotive or other relevant industry expertise;

global and international business experience;

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

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

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

high level of financial literacy and experience;

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

data analytics experience;

commercial business experience; and

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

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Independence Determinations

Under the listing standards of The NASDAQ Stock Market LLC, or Nasdaq, and the company's Corporate Governance Guidelines, the board must consist of a majority of independent directors. In making independence determinations, the board observes Nasdaq and SEC criteria and considers all relevant facts and circumstances. To be considered independent under Nasdaq listing standards, a director must pass certain objective tests, such as not being an executive officer or employee of the company or having certain business dealings with 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 which, in the opinion of the company's board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

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

Pursuant to 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, 2017, we paid to Mr. Holland approximately \$80,000 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.

The board's independence determination for Mr. Muller included a review of sales made to one of our customers, NRG Energy, Inc. Mr. Muller served as the Vice Chairman of NRG Energy, Inc. from December 2012 until February 2017. The board considered the amount of sales made to NRG, which amounted to less than 1% of our total revenues in fiscal 2017, in determining that Mr. Muller is independent.

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2017 NOMINEES FOR CLASS II DIRECTORS

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

strategic advice and counsel to the company's management.

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

Director Nominees

Catharine Merigold

Director since: 2015

Age: 61

Board Committees and Leadership: Member of Audit Committee and 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 and currently serves as a board observer for Market Force Information, Inc., a provider of customer intelligence solutions to large consumer companies, and a board member of P2Binvestor, Inc., a crowdlending platform providing asset based lines of credit to businesses, the Colorado Technology Association, and University License Equity Holdings Inc. (ULEHI), which manages all the equity holdings associated with technology transfer of the University of Colorado. Ms. Merigold holds a B.S. in electrical engineering, with honors, from Washington University in St. Louis and an M.B.A. from Stanford University.

Specific Qualifications, Attributes, Skills and Experience:

Extensive Global or International Business Experience

Ms. Merigold has substantial international business experience gained from her experience at Hewlett-Packard in Europe and previous experience working for the French power company EDF-GDF. Her international experience is important to the board given the company's growing international business.

Science, Technology and Innovation Experience

As a venture capitalist, Ms. Merigold has experience working with numerous technology companies and companies providing innovative solutions, including serving as a board member of P2Binvestor, Inc. and Tendril Networks, Inc., a

provider of energy services management software. Given the company's innovative culture and the technical nature of its products, Ms. Merigold's experience working with technology companies provides useful insight to the board.

Related Industry Experience Marketing

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

Investment Expertise

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

Experience Scaling and Growing Startup and Small Business

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

Data Analytics Experience

Ms. Merigold brings to the board critical knowledge of data analytics, gained through her 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.

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Wahid Nawabi

Director since: 2016

Age: 48

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

Specific Qualifications, Attributes, Skills and Experience:

Chief Executive Officer and Executive Experience

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

Extensive Knowledge of the Company's Business

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

Extensive Global or International Business Experience

Through his experience as Vice President, Global Sales of 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.

Science Technology and Innovation Experience

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

Experience Scaling and Growing Startup and Small Business

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

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Stephen F. Page

Director since: 2013

Age: 77

Board Committees and Leadership: Member of Audit Committee and Chair of Nominating and Corporate Governance Committee

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

Specific Qualifications, Attributes, Skills and Experience:

Chief Executive Officer and Executive Experience

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

Extensive Global or International Business Experience

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

Defense and Related Industry Experience

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

electric vehicle products.

Commercial Business Experience

Mr. Page gained substantial experience in commercial business operations through his positions at United Technologies and Black & Decker Corporation.

Mr. Page's commercial business experience is of significant importance to the board as the company expands its commercial operations.

Public Company Board Experience

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

Financial Expertise

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

Continuing Directors

Charles Thomas Burbage

Director since: 2013

Age: 69

Board Committees and Leadership: Member of Compensation Committee, Nominating and Corporate Governance Committee and Executive Committee

Summary of Experience: Mr. Burbage has served as a member of our board of directors since 2013. Mr. Burbage retired from Lockheed Martin Aeronautics Company in April 2013, after a 33-year career during which he served most recently as Executive Vice President and General Manager, Joint Strike Fighter Program from 2000 to 2013. Mr. Burbage also served on active duty in the U.S. Navy as a Naval aviator and recorded more than 3,000 flight hours in 38 types of military aircraft before retiring as a Captain in the U.S. Naval Reserve in 1994. Mr. Burbage currently serves as a director of Terma North America, Inc., XCOR Aerospace, a spacecraft and rocket engineering company, 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:

Chief Executive Officer or Executive Experience

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

Extensive Global or International Business Experience

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

Defense Industry Related Experience

In addition to decades of experience as an executive of Lockheed Martin, Mr. Burbage previously served as a Naval aviator and test pilot. He received numerous industry awards, including the U.S. Naval Academy/Harvard Business

Review Award for Ethical Leadership. His defense industry and Naval officer experience provides important insights to the board on our largest business and customer set.

Science, Technology and Innovation Experience

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

Timothy E. Conver

Director since: 1988

Age: 73

Board Committees and Leadership: Member of Executive Committee

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

Specific Qualifications, Attributes, Skills and Experience:

Chief Executive Officer and Executive Experience

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

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Extensive Knowledge of the Company's Business

His knowledge of all aspects of our business and history and his extensive experience managing companies that provide high-technology solutions to military and industrial customers, and deploy practical innovation focused on current and future customer needs, position him well to serve as a director and as our Chairman of the Board.

Defense Industry Experience

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

Commercial Business Experience

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

Arnold L. Fishman

Director since: 1998

Age: 72

Board Committees and Leadership: Chair of Compensation Committee

Summary of Experience Mr. Fishman has served as a member of our board of directors since 1998. Mr. Fishman is the founder of Lieberman Research Worldwide, a leading global market research firm, and Interviewing Service of America, a supplier of market survey services. Mr. Fishman served as the Chairman of Lieberman Research Worldwide and Interviewing Service of America from 1979 and 1983, respectively, until July 2015 when he sold his interests in the companies. He currently serves as the Co-Chairman of Applied VR, LLC. Mr. Fishman received his B.S. in psychology from Brooklyn College.

Specific Qualifications, Attributes, Skills and Experience:

Chief Executive Officer and Executive Experience

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

Extensive Knowledge of the Company

Mr. Fishman has extensive knowledge and understanding of the company's business, products and personnel gained from 18 years of service as a director.

Related Industry Experience Marketing and Communication

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

Science, Technology and Innovation Experience

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