

AeroVironment Inc
Form DEF 14A
August 28, 2014

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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)

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- ☒ 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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- o Fee paid with preliminary materials:
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 - (1) Amount previously paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing party:
 - (4) Date filed:
-

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**Notice of 2014 Annual Meeting
of Stockholders
and Proxy Statement**

Friday, October 17, 2014
at 10:00 a.m., local time
Courtyard by Marriott in Monrovia
Grand Ballroom
700 West Huntington Drive
Monrovia, CA 91016

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Q&A FROM OUR CHAIRMAN AND CHIEF EXECUTIVE OFFICER

"Throughout the year, we meet with our stockholders and discuss a variety of topics. Frequently received questions and comments are addressed below."

Why is the value of your cash and investments so high?

Holding a significant amount of cash and liquid investments helps us in important ways. First, across our business we typically compete against very large competitors with deep pockets for strategic and large contracts. Our cash and liquid investments demonstrate staying power and capability to our potential customers, balancing the perceived risk of doing business with a smaller innovative company like AeroVironment. Second, our long-term growth strategy is to secure market adoption in a number of our strategic growth initiatives. Securing market adoption and positioning us for market leadership depends on our ability to invest decisively and quickly when the opportunity arises. Preserving our cash and liquid investments for this type of deployment positions us for the greatest return on investment for our stockholders.

Why is timing of market adoption so hard to predict?

Predicting market adoption involves predicting the future, which is far from an exact science. Our more than 40 years of innovation has taught us that the timing and rate of market adoption can be influenced by factors beyond our control, such as government regulations and economic conditions, in addition to the core customer perception of increased risk of adopting and funding a totally different solution. As a result, we attempt to manage our investments carefully and strive to avoid investing too early and stranding assets or investing too late and missing the opportunity.

Why are you increasing your investment levels this year?

We manage our core business areas to secure the leading market share and growth in our current business, and concurrently cultivate growth opportunities to create new markets. Our plan to increase investments this fiscal year aims to position three of our growth opportunities for adoption and growth. These three opportunities are Switchblade tactical missile systems, commercial unmanned aircraft systems or UAS and Global Observer, a high altitude, long endurance unmanned aircraft system. We manage these investments carefully based on market data.

Are you transitioning away from being a defense contractor to a more commercial business?

We view ourselves as a technology solutions provider whose largest market is currently the global defense industry. We continue to see growth opportunities among allied military forces and within the U.S. Department of Defense, and with FAA airspace regulations expected to change next year, we anticipate a growing opportunity for our small UAS solutions in domestic and international commercial markets. Our Efficient Energy Systems or EES business remains focused primarily on commercial markets. The common thread in our two business segments is the development of innovative technology-based solutions that help customers succeed.

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You serve as both Chairman and Chief Executive Officer of the Company. What steps are taken to ensure independent oversight at the board level?

Our board of directors leadership structure provides independent oversight. A combined Chairman of the Board and Chief Executive Officer is only one element of our leadership structure. It also includes a Lead Independent Director, and active and strong non-employee directors and board committees led by independent directors. This structure has been effective and the board regularly reviews this and other governance issues and believes it currently serves the business and stockholders well. The board has the discretion to change this leadership structure if doing so will better serve stockholders.

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AEROVIRONMENT, INC.

NOTICE OF 2014 ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholders,

We are pleased to invite you to join to the board of directors and executive team of AeroVironment, Inc. (the "company") at our 2014 annual meeting of stockholders. Important information relating to the annual meeting is detailed below:

TIME: 10:00 a.m. Pacific Time on Friday, October 17, 2014.

PLACE: *Courtyard by Marriott in Monrovia
Grand Ballroom
700 West Huntington Drive
Monrovia, CA 91016*

**Unanimous
Recommendations
of Board
of Directors**

ITEMS OF BUSINESS:	(1) Elect Joseph F. Alibrandi and Stephen F. Page, each to serve as a Class II director for a three-year term;	FOR
	(2) Approve by advisory vote the compensation of our Named Executive Officers;	FOR
	(3) Ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending April 30, 2015;	FOR
	(4) Vote on an advisory stockholder proposal seeking the declassification of the board of directors; and	AGAINST
	(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 25, 2014.

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

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Beneficial Stockholders. If you are a beneficial stockholder (i.e., your shares are held by a brokerage firm, bank, dealer or similar organization (often referred to as "holding in street name")) you should come to the beneficial stockholders table prior to the meeting. In order to be admitted, beneficial stockholders must bring account statements or letters from their brokers or banks showing that they owned AeroVironment stock as of August 25, 2014. In order to vote at the meeting, beneficial stockholders must bring legal proxies, which they can obtain only from their brokers or banks.

VOTING BY PROXY:

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

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 in 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. 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 or the advisory vote on the stockholder proposal to declassify the board, without your instructions as to how to vote. 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

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board of directors of
AeroVironment, Inc. for use at our 2014
annual meeting of stockholders. We will
begin distributing this proxy statement,
a form of proxy and our 2014 annual
report on or about September 10, 2014.

Thank you for your support.

Timothy E. Conver
Chairman and Chief Executive Officer

Monrovia, California
August 28, 2014

YOUR VOTE IS IMPORTANT

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON OCTOBER 17, 2014

This notice, the accompanying proxy statement, and our 2014 annual report to stockholders, which
includes our annual report on Form 10-K for the fiscal year ended April 30, 2014, are available on our
website at <http://investor.avinc.com>.

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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 2014 annual meeting of stockholders to be held on Friday, October 17, 2014, 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 181 W. Huntington Dr., Suite 202, Monrovia, California 91016. Enclosed with this proxy statement is a copy of our 2014 annual report, which includes our Form 10-K (without exhibits) for the fiscal year ended April 30, 2014. However, the 2014 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 2014 performance, please review our annual report on Form 10-K for the fiscal year ended April 30, 2014. This proxy statement and the accompanying proxy card are first being distributed to stockholders on or about September 10, 2014.

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 2014 annual meeting of stockholders, which will be held on Friday, October 17, 2014, at 10:00 a.m. local time, at the Grand Ballroom of the Courtyard by Marriott in Monrovia, 700 West Huntington Drive, Monrovia, CA 91016, 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 2014 annual meeting of stockholders if you were a stockholder of record at the close of business on August 25, 2014, the record date of the meeting. On the record date, there were 23,356,556 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 2014 annual meeting of stockholders in person, please vote right away using one of the following advance voting methods (see page 62 for additional details). Make sure to have your proxy card or voting instruction form in hand and follow the instructions.

You can vote in advance in one of three ways:

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

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

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

Attending and Voting at the Annual Meeting

All stockholders of record may vote in person at the 2014 annual meeting of stockholders. Beneficial owners may vote in person at the meeting if they have a legal proxy, as described on page 64.

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 63.

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.

Roadmap of Voting Matters

Stockholders are being asked to vote on the following matters at the 2014 annual meeting of stockholders:

Item 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.

Item 2. Advisory Vote to Approve Executive Compensation (page 33)

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 its Named Executive Officers as described in the Compensation Discussion and Analysis section beginning on page 34) and the Compensation Tables section beginning on page 49). 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.

Item 3. Ratification of the Appointment of Ernst & Young LLP as Independent Registered Public Accounting Firm (page 56)

FOR

The Audit Committee has appointed Ernst & Young LLP to serve as Independent Auditors for the fiscal year ending April 30, 2015. The

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

Item 4. Stockholder Proposal Seeking the Declassification of the Board of Directors (page 58)

AGAINST

The Nominating and Corporate Governance Committee believes that a classified board structure continues to be in the best interests of the company and our stockholders. The company seeks a non-binding advisory vote from its stockholders on the stockholder proposal to declassify the board as described in the Stockholder Proposal section beginning on page 58. Although the board recommends AGAINST this vote, it values stockholder opinions and will take into account the outcome of the advisory vote.

QUESTIONS AND ANSWERS (PAGE 62)

Please see the Questions and Answers section beginning on page 62 for important information about the proxy materials, voting, the annual meeting, company documents, communications and the deadlines to submit stockholder proposals for the 2015 annual meeting of stockholders. Additional questions may be directed to Investor Relations at 626 357-9983 X4245 or investorrelations@avinc.com.

GOVERNANCE BOARD OF DIRECTORS AND COMMITTEES (PAGE 19)

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 (5 of 7)

Director resignations required from directors elected by less than a majority of votes cast

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

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 AND OTHER DIRECTORS (PAGES 12-18)

Director Nominees

Joseph F. Alibrandi*1	85	1999	Former Chairman of the Board and Chief Executive Officer of Whittaker Corp. and former director of public companies	A, NCG	0
Stephen F. Page*2	74	2013	Former Chief Financial Officer of United Technologies Corporation and Chief Executive Officer of its Otis Elevator division and former director of public companies	L, A, NCG	0

Other Directors