

## AEROVIRONMENT PROFIT SHARING AND SALARY DEFERRAL 401(K) PLAN

### SAFE HARBOR NOTICE

This is an annual notice and only applies to the Plan Year beginning on January 1, 2017.

This notice covers the following points:

- How much you can contribute to the Plan;
- What other amounts the Employer will contribute to the Plan for you; and
- When your Plan account will be vested (that is, not lost when you leave your job), and when you can receive a distribution of your Plan account.

You can find out more information about the Plan in the Plan's Summary Plan Description (SPD). You can obtain a copy of the SPD from the Administrator.

#### I. Employee deferral contributions

You are allowed to defer a portion of your compensation to the Plan. These amounts are referred to as deferrals and are held in an account maintained on your behalf. You will always be entitled to all amounts that you defer. These amounts will, however, be affected by any investment gains or losses. If there is an investment gain, then the balance in your account will increase. If there is an investment loss, then the balance in your account will decrease. The type of compensation that may be deferred under the Plan is explained in the Section of the Summary Plan Description entitled "What compensation is used to determine my Plan benefits?" (this is in the Article entitled "COMPENSATION AND ACCOUNT BALANCE").

You may elect to defer not less than 0% and not more than 75% of your compensation each year instead of receiving that amount in cash. Such election will also apply to irregular pay (e.g., bonuses) unless a separate elective deferral election is made for irregular pay. Your total deferrals in any taxable year may not exceed a dollar limit which is set by law. The dollar limit may increase each year for cost-of-living adjustments.

If you are at least age 50 or will attain age 50 during a calendar year, then you may elect to defer additional amounts (called "catch-up contributions") to the Plan. These are additional amounts that you may defer, up to an annual limit imposed by law, regardless of any other limits imposed by the Plan.

You may make either Pre-Tax 401(k) deferrals or Roth 401(k) deferrals. If you make Pre-Tax 401(k) deferrals, your deferrals and any earnings on those deferrals are not subject to federal income tax until distributed from the Plan. If you make Roth 401(k) deferrals, your deferrals are subject to federal income tax at the time of deferral. The Roth 401(k) deferrals, however, are not subject to federal income tax when you receive a distribution from the Plan. In addition, if the distribution of Roth 401(k) deferrals is considered "qualified," then the earnings on the deferrals will not be subject to federal income tax when distributed from the Plan. Distributions from your Roth accounts will be considered "qualified" only if the distribution is on account of attainment of age 59 1/2, death or disability, and the distribution must not occur prior to the end of the 5-year participation period that begins with the first taxable year for which you made a Roth 401(k) deferral to the Plan, or if earlier, the first taxable year for which you made a Roth 401(k) deferral to another Roth 401(k) plan or Roth 403(b) plan that you rolled over to this Plan. Both types of deferrals are subject to Social Security taxes at the time of deferral. Your Employer will deduct the Social Security taxes, and in the case of Roth 401(k) deferrals will deduct federal income taxes, from your remaining compensation. Other tax treatments such as State and local income tax could be different. Whatever information is in this Notice is just information; it is not advice. If you need or want advice or help in understanding how a tax rule applies in your situation, you should ask a lawyer or tax professional.

#### II. Employer safe harbor contribution election

To help you make an informed decision on the level of your own salary deferral contributions, if any, your Employer must inform you about the contributions it will make to the Plan. Your Employer has elected to make the contribution described below.

**Safe harbor matching contribution.** In order to maintain "safe harbor" status, your Employer will make a safe harbor matching contribution equal to 100% of your salary deferrals that do not exceed 5.75% of your compensation. This safe harbor matching contribution is 100% vested.

For purposes of calculating the safe harbor matching contribution, your compensation and deferrals will be determined based on each payroll period.

#### III. Other Employer contributions

Other contributions may be made to the Plan. You should review the Article of the SPD entitled "EMPLOYER CONTRIBUTIONS" for details regarding these other contributions.

#### IV. Suspension or reduction of safe harbor matching contribution.

The Employer retains the right to reduce or suspend the safe harbor matching contribution under the Plan. If the Employer chooses to do so, you will receive a supplemental notice explaining the reduction or suspension of the safe harbor matching contribution at least 30 days before the change is effective. The Employer will contribute any safe harbor matching contribution you have earned up to that point.

#### V. Vesting

The following is a general explanation of the vesting provisions of the Plan. More details can be found in the Article of the SPD entitled "VESTING."

**100% vested contributions.** You are always 100% vested (which means that you are entitled to all of the amounts) in your accounts attributable to the following contributions:

- salary deferrals including Roth 401(k) deferrals and "catch-up contributions"
- safe harbor contributions
- Employer matching contributions
- "rollover" contributions

#### VI. Distribution provisions

The Plan and law impose restrictions on when you may receive a distribution from the Plan. Below is general information on when distributions may be made under the Plan. See the SPD for more details, including details on how benefits are paid. Also, at the time you are entitled to receive a distribution, the Administrator will provide you with a notice explaining the rules regarding the taxation of the distribution.

You may elect to have your vested account balance distributed to you as soon as administratively feasible following your termination of employment. However, if the value of your vested account balance does not exceed \$5,000, then a distribution will be made to you regardless of whether you consent to receive it.

**Treatment of "rollover" contributions for consent to distribution.** In determining if the value of your vested account balance exceeds the \$5,000 threshold described above used to determine whether you must consent to a distribution, your "rollover account" will not be considered as part of your benefit.

You may also withdraw money from the Plan from certain accounts if you have reached age 59 1/2, from rollovers at anytime for any reason, or if you have an immediate or heavy financial need. You may withdraw money from your account attributable to money purchase contributions, if you have reached age 62. However, there are various rules and requirements that you must meet before any withdrawal is permitted. See the Article in the SPD entitled "DISTRIBUTIONS PRIOR TO TERMINATION" for more details.

You may withdraw money at any time from your "rollover account".

If you were/are: (i) a reservist or National Guardsman; (ii) called to active duty after September 11, 2001; and (iii) called to duty for at least 180 days or for an indefinite period, you may take a distribution of your elective deferrals under the Plan while you are on active duty, regardless of your age. The 10% premature distribution penalty tax, normally applicable to Plan distributions made before you reach age 59 1/2, will not apply to the distribution. You also may repay the distribution to an IRA, without limiting amounts you otherwise could contribute to the IRA, provided you make the repayment within 2 years following your completion of active duty.

**Distributions for deemed severance of employment.** If you are on active duty for more than 30 days, then the Plan generally treats you as having severed employment for distribution purposes. This means that you may request a distribution from the Plan. If you request a distribution on account of this deemed severance of employment, then you are not permitted to make any contributions to the Plan for six (6) months after the date of the distribution.

#### VII. Administrative procedures for affirmative elections

You can make or change your deferral election and investment allocations, or opt out of contributing deferrals at any time by completing and filing an election form provided by your Employer, accessing the Plan's participant Website, WWW.MYKPLAN.COM, or calling the automated voice response system at 800-695-7526. If you are a newly eligible employee, a welcome letter explaining how to enroll and make elections under the Plan will be sent to you. You will be able to make a deferral election and select your investment allocations. Your election will become effective as soon as administratively feasible after receipt and processing of your election.

**VIII. Investments**

**Right to direct investment/default investment.** You have the right to direct the investment of all of your accounts in any of the investment choices explained in the investment information materials provided to you.

**IX. Employer's right to terminate Plan**

Pursuant to the terms of the Plan, your Employer has the right, at any time, to terminate the Plan. Termination of the Plan will result in the discontinuance of all contributions to the Plan (including the safe harbor 401(k) contribution) with respect to any compensation you receive after the effective date of the termination. Termination of the Plan will not affect your right to receive any contributions you have accrued as of the effective date of the termination.

**X. Additional information**

**This notice is not a substitute for the Summary Plan Description.** The provisions of the Plan are very complex and you should always look at the Summary Plan Description if you have any questions about the Plan. If, after reading the Summary Plan Description, you still have questions, contact the Administrator.

You may contact the Administrator at:

Contact: AeroVironment, Inc.

Address: 800 Royal Oaks Drive, Suite 210

Monrovia, California 91016

Telephone: 626-357-9983