

**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**

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

**Mercury Systems, 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 all boxes that apply):

No fee required

Fee paid previously with preliminary materials

Fee computed on table in exhibit required by Item 25(b) per Exchange Act Rules 14a-6(i)(1) and 0-11

2022 PROXY STATEMENT

Notice of 2022 Annual Meeting of  
Shareholders and Proxy Statement

mercury



**THE PROCESSING POWER BEHIND THE  
MOST CRITICAL A&D MISSIONS**

# mercury

September 8, 2022

Dear Shareholder:

We will hold our Annual Meeting of Shareholders on October 26, 2022, beginning at 10:00 a.m Eastern Time at the Company's headquarters at 50 Minuteman Road, Andover, Massachusetts 01810. We look forward to your attending the meeting either in person or by proxy. The enclosed notice of meeting, proxy statement, and proxy card describe the proposals to be acted upon at the meeting.

Please refer to the enclosed proxy statement for detailed information on each of the proposals. Your vote is important. Please vote by internet, telephone, or mail as soon as possible to ensure your vote is recorded promptly. Please also note that, if you wish to attend the meeting, you must request an admission ticket in advance. To obtain an admission ticket, please follow the instructions on page 1 of the proxy statement.

On behalf of the Board of Directors, we would like to express our appreciation for your continued interest in our company.

Sincerely yours,

A handwritten signature in black ink, appearing to read "M. Aslett".

Mark Aslett,  
President, Chief Executive Officer,  
and Director

**MERCURY SYSTEMS, INC.  
50 MINUTEMAN ROAD  
ANDOVER, MA 01810  
(978) 256-1300**

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**Notice of Annual Meeting of Shareholders**

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***To Be Held on October 26, 2022***

The Annual Meeting of Shareholders of MERCURY SYSTEMS, INC. will be held on October 26, 2022, at 10:00 a.m. Eastern Time at the Company's headquarters at 50 Minuteman Road, Andover, Massachusetts 01810. The meeting is being held for the following purposes:

1. To elect three Class I directors nominated by the Board of Directors, each to serve for a three-year term, and in each case until their successors are duly elected and qualified.
2. To hold an advisory vote on the compensation of our named executive officers (the "say-on-pay" vote).
3. To hold a vote to approve our amended and restated 2018 Stock Incentive Plan.
4. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2023.
5. To consider and act upon any other business that may properly come before the meeting or any adjournment or postponement of the meeting.

Proposal Number One relates solely to the election of three Class I directors and does not include any other matters relating to the election of directors, including, without limitation, the election of directors nominated by any Mercury shareholder.

The Board of Directors has fixed the close of business on August 24, 2022 as the record date for the meeting. All shareholders of record on that date are entitled to notice of and to vote at the meeting.

Your vote is important. Please vote by internet, telephone, or mail as soon as possible to ensure your vote is recorded promptly. To attend the meeting, please follow the instructions on page 1 of the proxy statement.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders To Be Held on October 26, 2022: This proxy statement and Annual Report and Form 10-K for our fiscal year ended July 1, 2022 are available at [www.edocumentview.com/MRCY](http://www.edocumentview.com/MRCY).**

By Order of the Board of Directors



Christopher C. Cambria  
*Secretary*

Andover, Massachusetts  
September 8, 2022

## EXECUTIVE SUMMARY

This executive summary is an overview of information that you will find 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 carefully before voting.

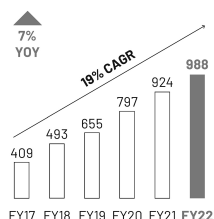
### Proposals and Board Recommendations

No.	Proposal Summary	Board's Voting Recommendations
1	Election of Three Class I Directors	FOR each nominee
2	Advisory Vote on Executive Compensation ("Say-on-Pay")	FOR
3	Amended and Restated 2018 Stock Incentive Plan	FOR
4	Ratification of Appointment of Our Independent Registered Public Accounting Firm for Fiscal 2023	FOR

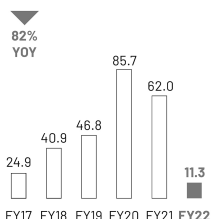
**Cautionary Note on Forward-Looking Statements:** This proxy statement contains certain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including those relating to the acquisitions described herein and to business performance in fiscal 2023 and beyond, including our projections for revenue, organic growth, bookings growth, and adjusted EBITDA, our expectations regarding the size of our addressable market, and our plans for growth, cost savings, and improvement in profitability and cash flow. You can identify these statements by the use of the words "may," "will," "could," "should," "would," "plans," "expects," "anticipates," "continue," "estimate," "project," "intend," "likely," "forecast," "probable," "potential," and similar expressions. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, continued funding of defense programs, the timing and amounts of such funding, general economic and business conditions, including unforeseen weakness in the Company's markets, effects of epidemics and pandemics such as COVID, effects of any U.S. Federal government shutdown or extended continuing resolution, effects of continued geopolitical unrest and regional conflicts, competition, inflation, changes in technology and methods of marketing, delays in completing engineering and manufacturing programs, changes in customer order patterns, changes in product mix, continued success in technological advances and delivering technological innovations, changes in, or in the U.S. Government's interpretation of, federal export control or procurement rules and regulations, changes in, or in the interpretation or enforcement of environmental rules and regulations, market acceptance of the Company's products, shortages in or delays in receiving components, supply chain volatility for critical components such as semiconductors, production delays or unanticipated expenses due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions, restructurings and value creation initiatives such as IMPACT, or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, effects of shareholder activism, increases in interest rates, changes to industrial security and cyber-security regulations and requirements, changes in tax rates or tax regulations, changes to interest rate swaps or other cash flow hedging arrangements, changes to generally accepted accounting principles, difficulties in retaining key employees and customers, unanticipated costs under fixed-price service and system integration engagements, and various other factors beyond our control. These risks and uncertainties also include such additional risk factors as are discussed in the Company's filings with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended July 1, 2022. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

## FY22 FINANCIAL HIGHLIGHTS

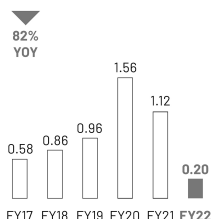
### REVENUE (\$M)



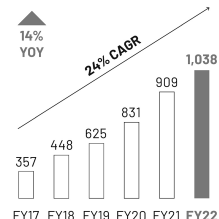
### GAAP NET INCOME (\$M)



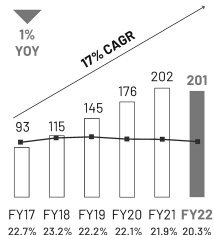
### GAAP EPS (\$)



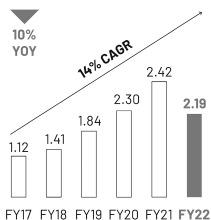
### BACKLOG (\$M)



### ADJ. EBITDA (\$M, %)



### ADJ. EPS (\$)



CAGR figures for period of FY17–FY22. YoY figures for period of FY21 vs FY22. Numbers are rounded. Per share data is presented on a fully diluted basis.

## SELECTED FINANCIAL DATA

The following table summarizes certain historical consolidated financial data, which should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report (in thousands, except per-share data):

	FISCAL YEARS				
	2022	2021	2020	2019	2018
<b>Statement of Operations Data</b>					
Net revenues	\$988,197	\$923,996	\$796,610	\$654,744	\$493,184
Income from operations	\$31,610	\$81,001	\$91,062	\$76,584	\$46,985
Net income	\$11,275	\$62,044	\$85,712	\$46,775	\$40,883
<b>Net Earnings Per Share</b>					
Basic	\$0.20	\$1.13	\$1.57	\$0.98	\$0.88
Diluted	\$0.20	\$1.12	\$1.56	\$0.96	\$0.86
Adjusted EBITDA <sup>(1)</sup>	\$200,507	\$201,896	\$176,242	\$145,326	\$114,567
Adjusted EPS <sup>(1)</sup>	\$2.19	\$2.42	\$2.30	\$1.84	\$1.41

	AS OF FISCAL YEARS				
	2022	2021	2020	2019	2018
<b>Balance Sheet Data</b>					
Working capital	\$621,325	\$492,277	\$508,854	\$484,140	\$260,063
Total assets	\$2,304,415	\$1,955,137	\$1,610,720	\$1,416,977	\$1,064,480
Long-term obligations	\$573,303	\$320,168	\$100,021	\$34,206	\$220,909
Total shareholders' equity	\$1,537,185	\$1,484,146	\$1,384,784	\$1,284,739	\$771,891

(1) Adjusted EBITDA and adjusted EPS are key measures that are not calculated according to U.S. generally accepted accounting principles ("GAAP"). Refer to "Non-GAAP Financial Measures" in Management's Discussion and Analysis of Financial Condition and Results of Operations for our definition of these measures, including reconciliations to our most directly comparable GAAP financial measures. Reconciliations to our most directly comparable GAAP financial measures are included in our Annual Report on Form 10-K for fiscal years 2020, 2021 and 2022.

Our named executive officers for our 2022 fiscal year are:

Name	Position
Mark Aslett	President and Chief Executive Officer
Michael D. Ruppert	Executive Vice President, Chief Financial Officer and Treasurer
Thomas Huber	Executive Vice President and Chief Transformation Officer
James M. Stevison	Executive Vice President and Chief Growth Officer
Charles R. Wells, IV	Executive Vice President and President of Microelectronics Division

Our executive compensation programs are designed to attract and retain critical executive talent, to motivate behaviors that align with stockholders' interests and to link payouts with our performance. As described below:

- For fiscal 2022, target pay for our CEO individually, and for all of our named executive officers collectively, falls within a competitive range of 85% to 115% of peer median target pay levels.
- Our pay mix strongly supports the Company's pay-for-performance culture. For fiscal 2022, 87% of the Chief Executive Officer's target pay was in the form of variable pay that is subject to future performance.
- We delivered solid financial performance for fiscal 2022 despite a challenging business environment, resulting in our total shareholder return for fiscal 2022 approximating the 85th percentile of our peers.
- Payouts under our annual- and long-term compensation programs reflected our absolute and relative performance for periods ending in fiscal 2022. Our performance for fiscal 2022 was below our annual incentive plan targets, resulting in payouts at 89.59% of executives' target bonuses. Our overall three-year performance exceeded the 70th percentile of peer company achievements, resulting in performance stock award payouts at 199.9% of target.
- In February 2022, as part of a broad equity retention plan that covered our executives and over 100 additional leaders at our company, we accelerated the grant of long-term incentive awards that would have otherwise been made in August 2022 and granted additional special awards on a one-time basis to promote continuity of leadership, strategy and execution in connection with the reorganization of our operating structure against a backdrop of emerging industry and labor market challenges. These awards are a key element in our ongoing efforts to build on Mercury's strong foundation and drive the next phase of value creation at greater scale. The awards are intended to ensure that leaders across our organization remain focused on advancing our strategy, while at the same time supporting the retention of our key leaders at a critical junction in our transformation. Half of the long-term incentives granted to the named executive officers under this plan were in the form of performance stock awards, which are contingent upon future performance to have any realized value.
- For fiscal 2023, no additional long-term incentives have been, or are expected to be, granted to our named executive officers. In addition, the Human Capital and Compensation Committee of the Board of Directors (the "Committee") determined to make no changes to the base salaries and target bonuses of our named executive officers. The Committee also adopted a new annual incentive plan design for fiscal 2023 that emphasizes an expanded set of performance measures that we believe to be further aligned with the creation of long-term shareholder value: adjusted EBITDA (weighted 50%), revenue (25%) and adjusted free cash flow (25%). The Committee intends to perform a similar review of our long-term incentive plan design for fiscal 2024, and to then review annual grants of long-term incentives for named executive officers during fiscal 2024 consistent with past practice.

## Company Background

Mercury is a technology company that delivers commercial innovation to rapidly transform the global aerospace and defense industry. Our end-to-end processing platform enables a broad range of aerospace and defense programs, optimized for mission success in some of the most challenging and demanding environments. Processing technologies that comprise our platform include signal solutions, display, software applications, networking, storage and secure processing. As a leading manufacturer of essential components, products, modules and subsystems, we sell to defense prime contractors, the U.S. government and original equipment manufacturers (OEM) commercial aerospace companies. Our products and solutions are deployed in more than 300 programs with over 25 different defense prime contractors and commercial aviation customers.

## 2022 Operating Environment and Performance Achievements

**Operating Environment.** For fiscal year 2022, we continued to encounter a challenging business environment. Our performance was primarily influenced by the following factors:

- U.S. Government spending for our products and services was adversely affected by an extended continuing resolution, which, while in effect, limited government funding to prior-year levels and delayed awards in respect of new government programs.
- Supply chain volatility — led by long lead times for high-end semiconductors and delayed supplier deliveries or "decommitments" — adversely affected the timing of our revenues and cash management.
- We experienced considerable price inflation in our costs for materials, which adversely affected our business.
- The challenging labor market led to unprecedented attrition and competition for top talent.

**Performance Achievements.** Despite the challenging industry, labor and economic environment, Mercury delivered solid financial performance for fiscal 2022, highlighted by the following items:

- Our fiscal 2022 revenues increased by 6.9% to \$988.2 million, compared to \$924.0 million for fiscal 2021. Our fiscal 2022 results included organic revenue of \$870.4 million, a decrease of 5% from fiscal 2021.
- Our bookings increased by 21% from \$881.2 million in fiscal 2021 to \$1,063.1 million in fiscal 2022. Our book-to-bill ratio increased from 0.95x in fiscal 2021 to 1.08x in fiscal 2022.
- Our net income for fiscal 2022 was \$11.3 million, compared to \$62.0 million for fiscal 2021. Our adjusted EBITDA for fiscal 2022 was \$200.5 million, remaining relatively flat compared to \$201.9 million for fiscal 2021. The adjusted EBITDA results discussed in this paragraph are subject to the adjustments set forth in "Appendix B: Reconciliation of Non-GAAP Measures to GAAP Measures."
- We completed the acquisitions of Avalex and Atlanta Micro, which expanded our content and capabilities in both open mission systems and trusted microelectronics.
- Our total shareholder return ("TSR") for fiscal 2022 approximated the 85th percentile of the peer group used to measure our relative performance under long-term incentives awarded in fiscal 2022.

## Compensation Philosophy, 2022 Target Pay and 2022 Incentive Plan Payouts

**Compensation Philosophy.** Our compensation philosophy is designed to promote a pay-for-performance culture. We consider market median compensation levels as our reference point in making executive pay decisions, subject to adjustments based on experience, performance, the other individual factors as described in "Compensation Discussion and Analysis – Use of Market Data and Competitive Compensation Positioning" beginning on page 45 and as otherwise appropriate. The majority of each executive's target pay is in the form of incentive compensation that is subject to future performance to have any realized value. See the information in "Compensation Discussion and Analysis – Mix of Pay" on page 45.

**2022 Target Pay.** The table below details each named executive officer's annual base salary, target annual incentive opportunity ("target bonus") and grant date target value of annual long-term incentive awards (collectively, "target pay") established by the Committee (and in the case of our Chief Executive Officer, ratified by our Board) for fiscal 2022.



	Salary	Target Bonus as % of Salary	Annual Long-Term Incentive Awards (1)	Target Pay
Mark Aslett	800,060	150%	4,300,000	6,300,150
Michael D. Ruppert	446,351	110%	1,430,000	2,367,337
Thomas Huber	425,000	100%	830,000	1,680,000
James M. Steverson	425,000	100%	796,000	1,646,000
Charles R. Wells, IV	415,000	100%	830,000	1,660,000

(1) The table above is intended to reflect each executive's ordinary compensation for fiscal 2022, and accordingly excludes the value of special long-term incentive ("LTI") awards granted to the named executive officers in February 2022 under an equity retention plan approved by our Board of Directors. In addition, the table excludes the value of "new-hire" awards granted to Messrs. Huber, Steverson and Wells in connection with their commencement of employment during fiscal 2022 because these awards were intended, in part, to restore compensation forfeited with a prior employer as an incentive to join our company. In lieu of these new-hire awards, the table includes the value established by the Committee for each such executive in fiscal 2022 as the basis for future annual LTI awards. For a further discussion of the special awards discussed in this paragraph, see "Compensation Discussion and Analysis — Equity Retention Plan Awards" beginning on page 51 and "Compensation Discussion and Analysis — Offer Letters with Named Executive Officers" beginning on page 51.

For fiscal 2022, target pay for our CEO individually, and for all of our named executive officers collectively, falls within a competitive range of 85% to 115% of peer median target pay levels. For a further discussion, see "Compensation Discussion and Analysis – Use of Market Data and Competitive Compensation Positioning" beginning on page 45.

**2022 Incentive Plan Payouts.** Payouts under our annual incentive plan and our long-term incentive plan performance awards are subject to the achievement of pre-established targets.

With respect to our annual incentive plan, our financial performance achievements for fiscal 2022 were above threshold requirements but below our plan targets, which are based on adjusted EBITDA. Accordingly, aggregate plan payouts to our named executive officers for fiscal 2022 represented 89.59% of their respective target bonuses. For a further discussion, see "Compensation Discussion and Analysis – Elements of 2022 Target Pay – Annual Incentives" beginning on page 48.

For our long-term performance awards whose performance periods end with fiscal 2022, our performance relative to our peers approximated the 57th percentile for adjusted EBITDA margin and the 86th percentile for revenue growth, resulting in performance stock award payouts at 199.9% of target. For a further discussion, see "Compensation Discussion and Analysis – Payout of Performance Stock Awards for the 2020-2022 Award Cycle" on page 52.

### Special LTI Awards Granted Under Equity Retention Plan

On February 7, 2022, our Board of Directors approved an equity retention plan (the "ERP") for our executives and over 100 additional leaders whose continuing efforts were determined to be critical to our success, including our named executive officers. The Board approved the ERP to promote continuity of leadership, strategy and execution in connection with the reorganization of our operating structure. The ERP is a key element in our ongoing efforts to build on Mercury's strong foundation and drive the next phase of value creation at greater scale. The ERP is intended to ensure that leaders across our organization remain focused on advancing our strategy, while at the same time supporting the retention of our key leaders at a critical junction in our transformation.

Under the ERP, all participants, including our named executive officers, were granted their annual equity awards for fiscal 2023 on February 15, 2022, in lieu of the grants that they would have otherwise received in August 2022. Additional one-time awards were granted under the ERP to support retention and further motivate achievement of our long-term, strategic goals in light of the macroeconomic conditions underlying the adoption of the ERP. The value of these additional retention grants varies among different ERP participants, and ranges from 1x to 2x of each participant's annual long-term incentive compensation. For a further discussion, see "Compensation Discussion and Analysis — Equity Retention Plan Awards" beginning on page 51.

Consistent with our annual long-term incentive award mix, half of the long-term incentives granted to the named executive officers were in the form of performance stock awards, which are contingent upon future performance to have any realized value, and half were granted in the form of restricted stock awards. No additional long-term incentive awards will be issued to the named executive officers in fiscal 2023.

## **2023 Target Pay**

For fiscal 2023, the Committee determined to make no changes to the base salaries and target bonuses of our named executive officers, nor did it grant them any long-term incentives beyond those previously granted for fiscal 2023 as part of the ERP. To further align our annual incentive program with our long-term growth strategy, the Committee adopted a new annual incentive plan design for fiscal 2023 that emphasizes an expanded set of performance measures tied to the creation of long-term shareholder value: adjusted EBITDA (weighted 50%), revenue (25%) and adjusted free cash flow (25%). The Committee intends to perform a similar review of our long-term incentive plan design for fiscal 2024, and to then review annual grants of long-term incentives for named executive officers during fiscal 2024 consistent with past practice.

## Our Board of Directors

The following table provides summary information about our Directors as of the date of this proxy statement.

Name	Director Since	Primary Occupation	Independent	Committee Memberships				
				AC	HC	NGC	GRC	M&A
<b>Mark Aslett</b> Class II Director Term Ending in 2023	2007	President and CEO Mercury Systems	No				M	
<b>William L. Ballhaus</b> Class I Director Nominated for a Term Ending in 2025	2022	Former CEO Blackboard Inc. and SRA International Inc.	Yes	M		M		M
<b>James K. Bass</b> Class I Director Term Ending in 2022	2010	Former President and CEO Piper Aircraft	Yes	M, F				M
<b>Orlando P. Carvalho</b> Class III Director Term Ending in 2024	2020	Former Executive Vice President Aeronautics, Lockheed Martin	Yes		M	M		M
<b>Michael A. Daniels</b> Class I Director Term Ending in 2022	2010	Former Chairman and CEO Mobile 365 and Network Solutions	Yes		M	M	M	C
<b>Lisa S. Disbrow</b> Class I Director Nominated for a Term Ending in 2025	2017	Under Secretary of the U.S. Air Force (Retired)	Yes	M, F	M		C	
<b>Mary Louise Krakauer</b> Class II Director Term Ending in 2023	2017	Former Executive Dell and EMC	Yes		C		M	
<b>Howard L. Lance</b> Class I Director Nominated for a Term Ending in 2025	2022	Former President and CEO Maxar Technologies Inc. and Harris Corporation	Yes		M	M	M	M
<b>Barry R. Nearhos</b> Class III Director Term Ending in 2024	2018	Former Managing Partner PricewaterhouseCoopers	Yes	C, F		M		M
<b>William K. O'Brien</b> <i>Chairman of the Board</i> Class II Director Term Ending in 2023	2008	Former Executive Chairman Enterasys Networks	Yes	M, F		C		M
<b>Debora A. Plunkett</b> Class III Director Term Ending in 2024	2021	Federal Senior Executive National Security Agency (Retired)	Yes	M	M		M	

AC = Audit Committee

HC = Human Capital and Compensation Committee

NGC = Nominating and Governance Committee

GRC = Government Relations Committee

M&A = M&A and Finance Committee

M = Member

C = Committee Chair

F = Financial Expert

We are proposing that William L. Ballhaus, Lisa S. Disbrow, and Howard L. Lance, three continuing Class I directors, be elected to serve terms of three years, and in each case until their successors are duly elected and qualified or until they sooner die, resign, or are removed. Ms. Disbrow was most recently elected as a Class I director at the 2019 Annual Meeting of Shareholders and Messrs. Ballhaus and Lance were appointed to the Board in June 2022 as part of settlements with JANA Partners and Starboard Value executed in June 2022. James K. Bass and Michael A. Daniels, Class I directors, informed the Board of Directors that they will retire from service on the Board at the end of their current terms effective at the 2022 Annual Meeting of Shareholders. We thank Messrs. Bass and Daniels for their service on the Board since 2010.

Per the settlements with JANA Partners and Starboard Value, Messrs. Ballhaus and Lance have each been appointed to the Nominating and Governance Committee and the M&A and Finance Committee and Mr. Lance has been appointed to the Human Capital and Compensation Committee.

## Environmental, Social, and Corporate Governance Highlights

### Governance

Our focus on good corporate governance stems from our belief that a strong governance framework creates long-term value for our shareholders, strengthens Board and management accountability, and builds trust in us and our brand. Our governance framework includes the following highlights:

Board and Governance Information (1)		Board and Governance Information (1)	
Size of the Board of Directors	9	Board Meetings Held During Fiscal 2022	16
Number/ % of Independent Directors	8/ 89%	Poison Pill	(3)
Average Age of Independent Directors	64	Proxy Access	No
Average Independent Director Tenure	4 years	Code of Business Conduct and Ethics	Yes
Women Board Members	33%	Stock Ownership Guidelines: Directors & Executives	Yes
Board Committees Chaired by Women	40%	Board Refreshment: New Directors Over Past 5 Years	7
Racial/ Ethnically Diverse Board Members	11%	Board Policy to Reflect Diversity (Gender & Race)	Yes
Classified Board of Directors	Yes	Anti-Hedging and Pledging Policies	Yes
Majority Voting in Director Elections	Yes	Compensation Clawback Policy	Yes
Plurality Voting in Contested Director Elections	Yes	Separate Chairman and CEO	Yes
Annual Board and Committee Self-Assessments	Yes	Ongoing Shareholder Outreach and Engagement	Yes
Annual Director Peer Assessments	Yes	Capital Structure with One Vote per Common Share	Yes
Limited Membership on Other Public Co Boards	Yes	Succession Planning Process for Senior Management	Yes
Board Committees are 100% Independent Directors	Yes (2)	Regular Executive Sessions without Management	Yes

(1) Reflects the retirements of Messrs. James K. Bass and Michael A. Daniels effective upon the 2022 Annual Meeting of Shareholders.

(2) Each of the Audit Committee, Human Capital and Compensation Committee, Nominating and Governance Committee, and M&A and Finance Committee is comprised of 100% independent directors. Our CEO is a member of the Government Relations Committee as we believe his experience with our customers and markets adds value to this Committee.

(3) The limited duration shareholders rights agreement that the Board adopted in December 2021 expires effective upon the 2022 Annual Meeting of Shareholders.

Our Board of Directors and executives understand and embrace the importance to all of our primary stakeholders of environmental, social, and governance ("ESG") measurement and reporting. For a number of years, we have been focused on the aspects of ESG we believe have the greatest impact on our business, our stakeholders, and value creation. As it relates to the environment and sustainability, our initial priorities include: talent management and culture; responsible sourcing and operational excellence; cyber security; and environmental stewardship. We have also focused on addressing a number of key governance principles that are generally considered best practices. Of our areas of focus, we are more focused on developing talent management and culture and cyber security because we believe these have the greatest potential to create - and the highest risk to destroy - value for Mercury and our shareholders. We continue to invest in our efforts, results, and reporting accountability, and endeavor to add both to what we do and how we report these efforts over time.

Our executive leadership team oversees and implements our environmental initiatives with a view towards demonstrating our commitment to good corporate citizenship and responsible business practices. The Human Capital and Compensation Committee of the Board of Directors reviews our ESG practices with a view toward how our efforts help attract,

develop, and retain employee talent, including our culture and values as well as how we demonstrate our commitment to good corporate citizenship. The Nominating and Governance Committee of our Board of Directors is responsible for reviewing and overseeing Mercury's environmental impact and initiatives.

### ***Talent Management***

For talent management and culture, we strive to invest in the professional development of our team members, hiring and retaining a diverse workforce. We are focused on ongoing employee training in critical compliance areas and on business ethics, export rules, and our culture of integrity. We adhere to high ethical and security standards and operating with integrity is a foundation of our culture and values. We disclose in the Environmental, Social, and Governance section of our website gender, racial, and ethnicity data, our voluntary and involuntary termination rates, and our OSHA injury rates.

Organizational efficiency and scalability are a major theme of IMPACT, our value creation program, and in fiscal 2022 we implemented an organizational redesign to reduce the number of layers of management in the company while increasing the span of the typical manager.

### ***Diversity, Equity, and Inclusion***

We are focused on advancing diversity, equity, and inclusion internally and externally through a variety of programs and initiatives.

### ***Cyber and Industrial Security***

The layers of cyber security we have built into our business systems and incorporated into our processes help ensure the critical data that drives the development of customer solutions is secure and protects our employees' personal information. Our good work has been recognized and we remain focused on modeling industry best practices.

We have deployed and have been relying upon a best in class industrial security program as evidenced by superior ratings from the U.S. Defense Counterintelligence and Security Agency (DCSA). Six of our cleared sites have been recognized with the James S. Cogswell Industrial Security Achievement Award in recent years, with our Cypress, California, and West Caldwell, New Jersey locations being recognized with this award in 2021; less than 1% of the 13,000+ cleared contractor locations receive this award annually.

### ***Responsible Sourcing***

We believe responsible sourcing and operational excellence are integral parts of value creation. We work with all our suppliers in an effort to ensure that we all adhere to an equal and high standard of sustainability and ethical principles. We provide opportunities for small businesses to engage with us as we support our customers in the aerospace, defense, and intelligence markets. We work closely with many categories of small businesses, including small disadvantaged, women-owned, veteran-owned, service-disabled veteran-owned, and historically underutilized business zone (HUBZone) companies.

Our IMPACT initiatives include a focus on supply chain efficiency and procurement savings, which we believe will further enhance our competitiveness and value in the coming years.

### ***Environmental Stewardship***

As a technology company, we have relatively limited exposure to environmental stewardship risks in our operations. Nonetheless, we are focused on promoting environmental stewardship and introducing innovative processes and technologies that improve our efforts, including quantifying and disclosing our environmental impact along with our efforts to maximize future generations' ability to live, work, and play in our shared natural environment. We disclose in the ESG section of our website details of scope 1, scope 2, and scope 3 greenhouse gas (GHG) emissions from our business activities covering backup-generators and boilers for scope 1 emissions, purchased energy for scope 2 emissions, and business travel for scope 3 emissions. We have partnered with a nationally-recognized waste management vendor to ensure that our by-products and materials are reclaimed, recycled, or disposed of in ways that will reduce environmental impacts and conserve natural resources. As an environmentally-conscious company, Mercury focuses on and supports efforts that move towards a zero waste future through continuous improvement of production processes, sustainable materials management, and resource efficiency.

Facilities optimization and capital and asset efficiency are also significant themes in IMPACT, and we believe we will create further value for all of our stakeholders as we use our resources more efficiently.

***Further Information***

Please see the ESG section of our website, [www.mrcy.com](http://www.mrcy.com), under "Company" for detailed disclosures on our commitment to sustainability and ESG practices. Information contained on our website and social media channels does not constitute part of this proxy statement or our annual report on Form 10-K.

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**MERCURY SYSTEMS, INC.**  
**50 MINUTEMAN ROAD**  
**ANDOVER, MA 01810**  
**(978) 256-1300**

**QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING**

**Why am I receiving these materials?**

We are mailing this proxy statement, with the accompanying proxy card, to you on or about September 8, 2022 in connection with the solicitation of proxies by the Board of Directors of Mercury Systems, Inc. ("Mercury") for the annual meeting of shareholders to be held on October 26, 2022, and any adjournment or postponement of that meeting. The meeting will be held on October 26, 2022, beginning at 10:00 a.m. Eastern Time at our headquarters at 50 Minuteman Road, Andover, Massachusetts 01810. You are invited to attend the meeting, and we request that you vote on the proposals described in this proxy statement. You do not need to attend the meeting to vote your shares. You may vote by internet, telephone, or mail in order to have your shares voted at the meeting on your behalf.

**What am I voting on?**

There are four matters scheduled for a vote:

- election of three Class I directors nominated by the Board of Directors, each to serve for a three-year term, and in each case until their successors are duly elected and qualified;
- an advisory vote on the compensation of our named executive officers (the "say-on-pay" vote);
- approval of our amended and restated 2018 stock incentive plan; and
- ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2023.

**Who can attend and vote at the meeting?**

Shareholders of record at the close of business on August 24, 2022 are entitled to attend and vote at the meeting. Each share of our common stock is entitled to one vote on all matters to be voted on at the meeting, and can be voted only if the record owner is present to vote or is represented by proxy. The proxy card provided with this proxy statement indicates the number of shares of common stock that you own and are entitled to vote at the meeting.

**What is the Admission Policy for the Annual Meeting?**

All holders of Mercury shares as of the record date are encouraged to attend the annual meeting. In order to ensure the safety of all attendees, we have implemented the following security and admission policies.

- Eligible Attendees. Attendance is limited to registered and beneficial Mercury shareholders as of the record date.
- Admission Procedures. In order to be admitted to the meeting, you must present both an admission ticket and valid government-issued photo identification, such as a driver's license or passport. You must register on or prior to October 14, 2022 in order to obtain an admission ticket.
- Obtaining an Admission Ticket. In order to obtain an admission ticket, please email us at [annualmeeting@mrchy.com](mailto:annualmeeting@mrchy.com).
- Security Measures. Upon entering the meeting facility, you may be required to proceed through a security checkpoint. In addition, cameras, recording equipment, electronic devices, large bags, briefcases, and packages will not be permitted in the annual meeting.

**What constitutes a quorum at the meeting?**

The presence at the meeting, in person or represented by proxy, of the holders of a majority of our common stock outstanding on August 24, 2022, the record date, will constitute a quorum for purposes of the meeting. On the record date, 57,778,675 shares of our common stock were outstanding. For purposes of determining whether a quorum exists, proxies received but marked "abstain" and so-called "broker non-votes" (described below) will be counted as present.



## How do I vote my shares?

- **Beneficial Shareholders.** If you own shares through a broker, bank, or other holder of record (that is, your shares are held in "street name"), you must instruct the holder of record how to vote your shares. In order to provide voting instructions to the holder of record of your shares, please refer to the materials forwarded by your broker, bank, or other holder of record. If your shares are held in "street name" and you wish to vote them online at the meeting, you must obtain from your broker a properly executed legal proxy identifying you as a Mercury shareholder, authorizing you to act on behalf of the broker at the meeting, and specifying the number of shares with respect to which the authorization is granted. Proxies submitted by internet or telephone must be received by 1:00 a.m., Eastern Time, on October 26, 2022.
- **Registered Shareholders.** If you own shares that are registered in your name, you may vote by proxy before the annual meeting by internet at [www.envisionreports.com/MRCY](http://www.envisionreports.com/MRCY), by calling 1-800-652-VOTE (8683), or by signing and returning your proxy card. To vote by internet or telephone, you will need your voting control number, which can be found on your proxy card. Proxies submitted by internet or telephone must be received by 1:00 a.m., Eastern Time, on October 26, 2022. If you return a signed proxy card but do not provide voting instructions for some or all of the matters to be voted on, your shares will be voted on all uninstructed matters in accordance with the recommendations of the Board.
- **Shareholders Through the Mercury Systems 401(k) Plan.** If you own shares through the Mercury Systems 401(k) plan, you may vote by proxy before the annual meeting by internet at [www.envisionreports.com/MRCY](http://www.envisionreports.com/MRCY), by calling 1-800-652-VOTE (8683), or by signing and returning your proxy card. To vote by internet or telephone, you will need your voting control number, which can be found on your proxy card. Proxies submitted by internet or telephone must be received by 1:00 a.m., Eastern Time, on October 24, 2022. If you return a signed proxy card but do not provide voting instructions for some or all of the matters to be voted on, your shares will be voted on all uninstructed matters in accordance with the recommendations of the Board.

**If you sign, date, and return the proxy card but do not specify how your shares are to be voted, then your proxy will vote your shares as follows:**

- **FOR the election of the three nominees for Class I directors named below under "Proposal 1: Election of Three Class I Directors;"**
- **FOR the approval of, on an advisory basis, the compensation of our named executive officers as disclosed in this proxy statement;**
- **FOR the approval of our amended and restated 2018 Stock Incentive Plan;**
- **FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2023; and**
- **in the proxy's discretion as to any other business which may properly come before the meeting or any adjournment or postponement of the meeting.**

## What discretion does my broker have to vote my shares held in "street name"?

A broker holding your shares in "street name" must vote those shares according to any specific instructions it receives from you. If specific instructions are not received, your broker may vote your shares in its discretion, depending on the type of proposal involved. Under applicable rules, there are certain matters on which brokers may not vote without specific instructions from you, such as the election of directors, the advisory vote on say-on-pay, and the approval of our stock incentive plan. If such matters come before the meeting and you have not specifically instructed your broker how to vote your shares, your shares will not be voted on those matters, giving rise to what is called a "broker non-vote." Shares represented by broker non-votes will be counted for purposes of determining the existence of a quorum for the transaction of business, but for purposes of determining the number of shares voting on a particular proposal, broker non-votes will not be counted as votes cast or shares voting.

## Can I change my vote after I return my proxy card?

- **Beneficial Shareholders.** Beneficial shareholders should contact their broker, bank, or other holder of record for instructions on how to revoke their proxies or change their vote.
- **Registered Shareholders.** Registered shareholders may revoke their proxies or change their voting instructions at any time before 1:00 a.m., Eastern Time, on October 26, 2022, by submitting a proxy via internet, telephone, or mail that is

dated later than the original proxy or by delivering written notice of revocation to our Corporate Secretary. Registered shareholders may also revoke their proxies or change their vote by attending the annual meeting and voting by ballot.

- Shareholders Through the Mercury Systems 401(k) Plan. If you hold shares through the Mercury Systems 401(k) plan, you may revoke your proxy or change your voting instructions at any time before 1:00 a.m., Eastern Time, on October 24, 2022, by submitting a proxy via internet, telephone, or mail that is dated later than the original proxy or by delivering written notice of revocation to our Corporate Secretary.

Your attendance at the meeting will not be deemed to revoke a previously delivered proxy unless you clearly indicate at the meeting that you intend to revoke your proxy and vote in person at the meeting.

#### **How are votes counted?**

- **Election of directors.** A director nominee receiving a majority of the votes properly cast at the meeting for the nominee's election (meaning he or she receives more votes cast "FOR" than cast "WITHHOLD") will be elected director. Abstentions and broker non-votes, which are described above, will have no effect on the outcome of voting on these matters.
- **All other proposals.** All of the other proposals at the meeting require the favorable vote of a majority of the votes cast on the matter. Abstentions and broker non-votes, as applicable, which are described above, will have no effect on the outcome of voting on these matters.

#### **How is Mercury soliciting proxies?**

We bear the cost of preparing, assembling, and mailing the proxy material relating to the solicitation of proxies by the Board of Directors for the meeting. In addition to the use of the mails, certain of our officers and regular employees may, without additional compensation, solicit proxies in person, by telephone, or by other means of communication. We will also request brokerage houses, custodians, nominees, and fiduciaries to forward copies of the proxy material to those persons for whom they hold shares, and will reimburse those record holders for their reasonable expenses in transmitting this material.

We have engaged Okapi Partners LLC ("Okapi") to assist in the solicitation of proxies and provide related advice and informational support, for agreed services fees and reimbursement of customary disbursements and expenses. In addition to fees and expenses for services provided through the date of the meeting, Okapi's fee in connection with the proxy solicitation for this meeting is not expected to exceed \$75,000.

**PROPOSAL 1: ELECTION OF THREE CLASS I DIRECTORS**

The following table provides summary information about our Directors as of the date of this proxy statement.

Name	Director Since	Primary Occupation	Independent	Committee Memberships				
				AC	HC	NGC	GRC	M&A
<b>Mark Aslett</b> Class II Director Term Ending in 2023	2007	President and CEO Mercury Systems	No				M	
<b>William L. Ballhaus</b> Class I Director Nominated for a Term Ending in 2025	2022	Former CEO Blackboard Inc. and SRA International Inc.	Yes	M		M		M
<b>James K. Bass</b> Class I Director Term Ending in 2022	2010	Former President and CEO Piper Aircraft	Yes	M, F				M
<b>Orlando P. Carvalho</b> Class III Director Term Ending in 2024	2020	Former Executive Vice President Aeronautics, Lockheed Martin	Yes		M	M		M
<b>Michael A. Daniels</b> Class I Director Term Ending in 2022	2010	Former Chairman and CEO Mobile 365 and Network Solutions	Yes		M	M	M	C
<b>Lisa S. Disbrow</b> Class I Director Nominated for a Term Ending in 2025	2017	Under Secretary of the U.S. Air Force (Retired)	Yes	M, F	M		C	
<b>Mary Louise Krakauer</b> Class II Director Term Ending in 2023	2017	Former Executive Dell and EMC	Yes		C		M	
<b>Howard L. Lance</b> Class I Director Nominated for a Term Ending in 2025	2022	Former President and CEO Maxar Technologies Inc. and Harris Corporation	Yes		M	M	M	M
<b>Barry R. Nearhos</b> Class III Director Term Ending in 2024	2018	Former Managing Partner PricewaterhouseCoopers	Yes	C, F		M		M
<b>William K. O'Brien</b> <i>Chairman of the Board</i> Class II Director Term Ending in 2023	2008	Former Executive Chairman Enterasys Networks	Yes	M, F		C		M
<b>Debora A. Plunkett</b> Class III Director Term Ending in 2024	2021	Federal Senior Executive National Security Agency (Retired)	Yes	M	M		M	

AC = Audit Committee

HC = Human Capital and Compensation Committee

NGC = Nominating and Governance Committee

GRC = Government Relations Committee

M&A = M&A and Finance Committee

M = Member

C = Committee Chair

F = Financial Expert

## **Who sits on the Board of Directors?**

Our by-laws provide for a Board of Directors of not fewer than three nor more than fifteen directors. As permitted by Massachusetts law, the Board of Directors is divided into three classes, with each class consisting, as nearly as may be possible, of one-third of the whole number of the Board of Directors. The Board of Directors currently consists of eleven members, with William L. Ballhaus, James K. Bass, Michael A. Daniels, Lisa S. Disbrow, and Howard L. Lance serving as Class I directors, Mark Aslett, Mary Louise Krakauer, and William K. O'Brien serving as Class II directors, and Orlando P. Carvalho, Barry R. Nearhos, and Debora Plunkett serving as Class III directors.

The terms of the Class I, Class II, and Class III directors expire in 2022, 2023, and 2024, respectively. With the expiration of its respective term, each class is nominated for election for a subsequent three-year term. We are proposing that William L. Ballhaus, Lisa S. Disbrow, and Howard L. Lance, three continuing Class I directors, be elected to serve terms of three years, and in each case until their successors are duly elected and qualified or until they sooner die, resign, or are removed. Ms. Disbrow was most recently elected as a Class I director at the 2019 Annual Meeting of Shareholders and Messrs. Ballhaus and Lance were appointed to the Board in June 2022 as part of settlements with JANA Partners and Starboard Value executed in June 2022. James K. Bass and Michael A. Daniels, Class I directors, informed the Board of Directors that they will retire from service on the Board at the end of their current terms effective at the 2022 Annual Meeting of Shareholders. We thank Messrs. Bass and Daniels for their service on the Board since 2010.

Per the settlements with JANA Partners and Starboard Value, Messrs. Ballhaus and Lance have each been appointed to the Nominating and Governance Committee and the M&A and Finance Committee and Mr. Lance has been appointed to the Human Capital and Compensation Committee.

## **Directors' Qualifications and Diversity**

The Board of Directors believes that the Board, as a whole, should possess a combination of skills, professional experience, and backgrounds necessary to oversee the Company's business. In addition, the Board of Directors believes that there are certain attributes that every director should possess, as reflected in the Board's membership criteria. Accordingly, the Board of Directors and the Nominating and Governance Committee consider the qualifications of directors and director candidates individually and in the broader context of the Board of Directors' overall composition and the Company's current and future needs.

The Nominating and Governance Committee is responsible for developing and recommending Board of Director membership criteria to the Board for approval. The criteria include independent and sound judgment, integrity, the ability to commit sufficient time and attention to Board of Director activities, and the absence of conflicts with the Company's interests. In addition, the Nominating and Governance Committee periodically evaluates the composition of the Board of Directors to assess the skills and experience that are currently represented on the Board of Directors as well as the skills and experience that the Board of Directors will find valuable in the future, given the Company's current situation and strategic plans.

Our Board of Directors Policy recognizes the benefits that diversity brings to the Board and states that the Board has a goal to reflect gender, ethnic, and racial diversity in its membership. Having a Board composed of individuals with diverse skills, experience, backgrounds and perspectives means: competitive advantage; robust understanding of opportunities, issues and risks; inclusion of different concepts, ideas, and relationships; enhanced decision-making and dialogue; and heightened capacity for oversight of the organization and its governance. For purposes of Board composition, diversity includes, but is not limited to, business and industry skills and experience, gender, and ethnicity. The Board shall make good use of these differences and distinctions among individuals in determining the optimum composition of the Board. All Board appointments should collectively reflect the diverse nature of the business environment in which the Company operates and be made on merit, in the context of the skills, experience, independence, and knowledge which the Board requires to be effective.

In evaluating director candidates, and considering incumbent directors for renomination to the Board of Directors, the Nominating and Governance Committee considers, among other things, each nominee's independence, financial literacy, personal and professional accomplishments, and experience, including the following:

<b>Experience/ Qualification</b>	<b>Relevance to Mercury</b>
Public Co. CEO	Experience as the chief executive officer of a publicly-traded company provides us with insights and understanding of the challenges of operating a business with multiple stakeholders with various and at times competing time horizons for return on investment.
Senior Leadership	Experience in significant leadership positions provides us with new insights and demonstrates key management disciplines that are relevant to the oversight of our business.
Defense Industry	Extensive experience in the defense industry provides an understanding of the complex environment in which we operate and is highly important to strategic planning and oversight of our business operations.
Technology Industry	Experience with secure sensor processing, rugged servers, mission computers, safety-critical avionics, radio frequency components, multifunction assemblies and subsystems provides an understanding of the complex operations of our business as well as the labor markets in which we compete for talent.
Corporate Governance	An understanding of organizations and governance supports management accountability, transparency, and protection of shareholder interests.
Risk Management	Risk management experience is critical in overseeing the risks we face today and those emerging risks that could present in the future.
Finance and Accounting	Finance and accounting experience is important in understanding and reviewing our business operations, strategy, and financial results.
Business Operations and Strategic Planning	An understanding of business operations and processes, and experience making strategic decisions, are critical to the oversight of our business, including the assessment of our strategic operating plan and business strategy.
Regulatory	An understanding of laws and regulations is important because we operate in a highly regulated industry and we are directly affected by government actions.
Talent Management	We place great importance on attracting and retaining superior talent, and motivating employees to achieve desired enterprise and individual performance objectives.
Mergers & Acquisitions (M&A)	Experience with acquiring and integrating companies through M&A transactions is important to understanding our acquisition growth strategy.
Debt and Equity Capital Markets	Debt and equity capital markets experience is important because we use the capital markets, along with cash generated from operations, to finance our growth agenda.

**Board Skills Matrix for Continuing Non-Employee Directors**

<b>Skill/ Qualification</b>	<b>William K. O'Brien</b>	<b>William L. Ballhaus</b>	<b>Orlando P. Carvalho</b>	<b>Lisa S. Disbrow</b>	<b>Mary Louise Krakauer</b>	<b>Howard L. Lance</b>	<b>Barry R. Nearhos</b>	<b>Debora A. Plunkett</b>
Public Co. CEO	●	●				●		
Senior Leadership	●	●	●	●	●	●	●	●
Defense Industry		●	●	●		●		●
Technology Industry	●	●	●	●	●	●		●
Corporate Governance	●	●	●		●	●	●	
Risk Management	●	●	●	●	●	●	●	●
Finance and Accounting	●	●	●	●		●	●	●
Business Operations & Strategic Planning	●	●	●	●	●	●	●	●
Regulatory			●	●				●
Talent Management	●	●	●	●	●	●	●	●
Mergers & Acquisitions	●	●	●		●	●	●	
Debt & Equity Capital Markets	●	●				●	●	
Mercury Board Tenure (years)	14	—	2	5	5	—	4	1
Other Public Company Boards	—	—	—	2	2	3	—	1

**Board Diversity Matrix for Continuing Directors**

<b>Total # of Directors:</b>	9	
<b>Part I: Gender Identity</b>	Female	Male
<b>Directors</b>	3	6
<b>Part II: Demographic Background</b>		
<b>African American or Black</b>	1	
<b>White</b>	2	6

**Recommendation**

**The Board of Directors recommends a vote FOR the election of the nominees listed below.**

## Information about the Directors

The persons named as proxies in the accompanying proxy card will vote, unless authority is withheld, for the election of the three Class I nominees named below. We have no reason to believe that any of the nominees will be unavailable for election. However, if any one of them becomes unavailable, the persons named as proxies in the accompanying proxy card have discretionary authority to vote for a substitute chosen by the Board, except that any nominations to replace Messrs. Ballhaus or Lance are subject to approval by JANA Partners and Starboard Value, respectively, pursuant to the terms of the settlement agreements reached by us with such investors. Any vacancies not filled at the meeting may be filled by the Board.

The following information was provided by each of the incumbent directors whose term will continue after the meeting.

### Class I Directors - Nominated for a Term Ending in 2025:



## William L. Ballhaus

**Age:** 55

**Director Since:** 2022

### Committee Memberships:

Audit M&A and Finance Nominating and Governance

### Primary Occupation:

Former CEO, Blackboard Inc. and SRA International Inc.

### Description of Business Experience:

Mr. Ballhaus currently serves as Chairman of MilestoneRoad Partners, a business consulting firm he founded in 2021, and as Executive Chairman at Government Brands LLC, a provider of software and payments solutions for government customers. He previously served as Chairman and Chief Executive Officer of Blackboard, a leading EdTech company, from 2016 until its merger with Anthology in 2021. Prior to that, he served as Chief Executive Officer and President of SRA International, Inc., a provider of information technology services from 2011 until the creation of CSRA from SRA and CSC's U.S. public sector business. Before that, Mr. Ballhaus served as Chief Executive Officer and President of private military contractor DynCorp International from 2008 to 2010. Mr. Ballhaus has also held senior leadership positions at BAE Systems, Boeing, and Hughes where he led global government and commercial technology businesses particularly focused on software and IT. He currently serves on the Board of Directors of Qmulos, a leading cybersecurity and IT compliance company, and as a senior advisor at PSG, a private equity firm focused on the software industry. He is also a Fellow of the American Institute of Aeronautics and Astronautics. Mr. Ballhaus' qualifications to serve on our Board of Directors include his extensive experience in the defense industry and his executive and operational experience as the Chief Executive Officer of public and private companies.

### Skills and Qualifications:

Public Co. CEO Senior Leadership  
Defense Industry Technology Industry  
Corporate Governance Risk Management  
Finance and Accounting Business  
Operations & Strategy Regulatory Talent  
Management Mergers & Acquisitions  
Debt and Equity Capital Markets

### Other Public Company Directorships Held in the Last Five Years:

Blackboard, Inc. (2016 - 2021)



## Lisa S. Disbrow

Age: 59

Director Since: 2017

### Committee Memberships:

Audit Government Relations (Chair)  
Human Capital & Compensation

### Primary Occupation:

Under Secretary of the Air Force (Retired)

### Description of Business Experience:

Ms. Disbrow retired as the U.S. Senate-confirmed Under Secretary of the Air Force in 2017, responsible for the affairs of the Air Force, including organizing, training, equipping, and providing for the welfare of approximately 660,000 active duty, Guard, Reserve and civilian Airmen, worldwide. She oversaw the Air Force's annual budget of over \$132 billion dollars and directed strategy and policy development, risk management, weapons requirements and acquisition, technology investments, and human resource management across a global enterprise. Ms. Disbrow served as the Acting Secretary of the Air Force from January through May 2017. In 2014, Ms. Disbrow was confirmed by the Senate as the Assistant Secretary of the Air Force for Financial Management and Comptroller, the principal senior official on all financial matters with a financial workforce of 10,000 personnel world-wide. She served in multiple senior positions on the Joint Staff and on the National Security Council at the White House. Ms. Disbrow was commissioned into the U.S. Air Force in 1985 and retired in 2008 as a Colonel with over 23 years of total active and reserve service. Ms. Disbrow is one of our "audit committee financial experts." Ms. Disbrow's qualifications to serve on our Board of Directors include her extensive military and budget experience in the Company's target defense market, her defense procurement experience, and her knowledge of defense and aerospace technology.

### Skills and Qualifications:

Senior Leadership Defense Industry  
Technology Industry Risk Management  
Finance and Accounting Business  
Operations & Strategy Regulatory Talent  
Management

### Other Public Company Directorships Held in the Last Five Years:

Blackberry Limited (2019 - present)

CACI International Inc. (2021 - present)

Perspecta, Inc. (2018 - 2021)





## Howard L. Lance

**Age:** 66

**Director Since:** 2022

### **Committee Memberships:**

Government Relations Human Capital & Compensation M&A and Finance  
Nominating & Governance

### **Primary Occupation:**

Former President and CEO, Maxar Technologies, Inc. and Harris Corporation

### **Description of Business Experience:**

Howard L. Lance is currently Managing Partner at Lance Advisors LLC, an advisory firm serving private equity and institutional investors. He serves as non-executive Chairman of Summit Materials, a leading provider of aggregates and cement, and as non-executive Chairman of Change Healthcare, a leading provider of healthcare information technology and services. He also serves as a Director of New Vista Acquisition Corporation, a SPAC focused on emerging technologies in aerospace, defense and logistics, and as non-executive Chairman of privately-held Covanta Energy LLC, a leading provider of sustainable environmental solutions. He previously served on the public-company boards of Ferrovial S.A., Eastman Chemical Company, Stryker Corporation, and Aviat Networks. Mr. Lance was President and Chief Executive Officer of Maxar Technologies, a leading provider of space technology solutions including satellites, robotics, geospatial imagery and services from 2016 to 2019. Previously, he was Executive Advisor – Private Equity at the Blackstone Group from 2012 to 2016. He served as Chairman, President and Chief Executive Officer of Harris Corporation (now L3Harris), a leading global provider of communications and information technology products, software, systems and services to government, defense, and commercial markets, from 2003 to 2012. He was Co-President of NCR Corporation and Chief Operating Officer of its Retail and Financial Group from 2001 to 2002. Previously, he spent 17 years at Emerson Electric Company including as Executive Vice President of its Electronics and Telecom businesses, Group President of its Climate Technologies businesses, and Chief Executive Officer of Astec PLC, a UK-listed subsidiary based in Hong Kong. Mr. Lance's qualifications to serve on our Board of Directors include his extensive experience in the defense industry and his executive and operational experience as the Chief Executive Officer of public companies.

### **Skills and Qualifications:**

Public Co. CEO Senior Leadership  
Defense Industry Technology Industry  
Corporate Governance Risk Management  
Finance and Accounting Business  
Operations & Strategy Regulatory Talent  
Management Mergers & Acquisitions  
Debt and Equity Capital Markets

### **Other Public Company Directorships Held in the Last Five Years:**

Summit Materials, Inc. (2012 - present)

Change Healthcare, Inc. (2017 - present)

New Vista Acquisition Corp. (2021 - present)

Maxar Technologies Inc. (2016 - 2019)

**Class II Directors - Serving a Term Ending in 2023:**



**Mark Aslett**

**Age:** 54

**Director Since:** 2007

**Committee Memberships:**

Government Relations

**Primary Occupation:**

President and CEO, Mercury Systems, Inc.

**Description of Business Experience:**

Mr. Aslett has served as our President and Chief Executive Officer since November 2007. Prior to that, he was Chief Operating Officer and Chief Executive Officer of Enterasys Networks, a public technology company, from 2003 to 2006, and held various positions with Marconi plc and its affiliated companies, including Executive Vice President of Marketing, Vice President of Portfolio Management, and President of Marconi Communications—North America, from 1998 to 2002. Mr. Aslett served on the Board of Directors of Enterasys Networks from 2004 to 2006. He has also held positions at GEC Plessey Telecommunications, as well as other telecommunications-related technology firms. Mr. Aslett provides an insider's perspective in Board discussions about the business and strategic direction of the Company with his detailed knowledge of the Company's employees, customers, suppliers, business prospects, and markets.

**Skills and Qualifications:**

Public Co. CEO Senior Leadership  
Defense Industry Technology Industry  
Corporate Governance Risk Management  
Finance and Accounting Business  
Operations & Strategy Regulatory Talent  
Management Mergers & Acquisitions  
Debt and Equity Capital Markets

**Other Public Company Directorships Held in the Last Five Years:**

None



## Mary Louise Krakauer

Age: 65

Director Since: 2017

### Committee Memberships:

Human Capital & Compensation (Chair)  
Government Relations

### Primary Occupation:

Former Executive, Dell and EMC

### Description of Business Experience:

Ms. Krakauer retired as the Executive Vice President, Chief Information Officer of Dell Corporation in 2017, where she was responsible for global IT. She served as the Executive Vice President, Chief Information Officer of EMC Corporation in 2016. Prior to that she served as EVP, Business Development, Global Enterprise Services for EMC Corporation during 2015. From 2012 to 2015 she was Executive Vice President, Global Human Resources for EMC Corporation, responsible for developing and executing a talent strategy in support of the business strategy, including executive and employee recruitment and development, compensation and benefits, acquisition integration and succession planning. Previously, she led large businesses as COO, Technology Services & Solutions and Managed Services at EMC Corporation, and VP/General Manager of multiple services businesses at Hewlett-Packard Corporation, Compaq Computer Corporation, and Digital Equipment Corporation. She was a director of Xilinx Inc., a publicly-traded adaptive and intelligent computing company, from 2017 through its acquisition by AMD in 2022, and DXC Technology Co., a publicly-traded IT services company, from 2018 to 2022. Ms. Krakauer has been a director of Proterra Inc., a publicly-traded electric vehicle technology company, since 2021, and Cadence Design Systems Inc., a publicly-traded software company, since 2022. Ms. Krakauer's qualifications to serve on our Board of Directors include her extensive executive experience in the technology industry, including leading large businesses, as well as the IT and Human Resources functions of a public company.

### Skills and Qualifications:

Senior Leadership Technology Industry  
Corporate Governance Risk Management  
Business Operations & Strategy Talent  
Management Mergers & Acquisitions

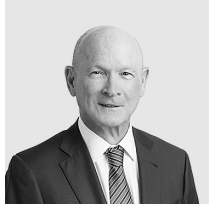
### Other Public Company Directorships Held in the Last Five Years:

Proterra Inc. (2021 - present)

Cadence Design Systems Inc. (2022 - present)

Xilinx Inc. (2017 - 2022)

DXC Technology Co. (2018 - 2022)



## William K. O'Brien

**Age:** 78

**Director Since:** 2008

### **Committee Memberships:**

Chairman of the Board Audit M&A and Finance Nominating & Governance (Chair)

### **Primary Occupation:**

Former Executive Chairman, Enterasys Networks

### **Description of Business Experience:**

Mr. O'Brien served as Executive Chairman at Enterasys Networks, a public technology company, from 2003 until his retirement in 2006. He served as Chief Executive Officer of Enterasys from 2002 to 2004, and as a member of the Board of Directors of Enterasys from 2002 to 2006. Prior to working at Enterasys, he worked for PricewaterhouseCoopers where he held several different senior management positions. Mr. O'Brien had over 33 years of experience in auditing and professional services while at PricewaterhouseCoopers. He was a director of Virtusa Corporation, a publicly-traded IT services and outsourcing company, from 2008 to 2020. Mr. O'Brien is one of our "audit committee financial experts." Mr. O'Brien's qualifications to serve on our Board of Directors include his executive experience in the technology industry, including being the Chairman and Chief Executive Officer of a public technology company, and his strong accounting and financial expertise.

### **Skills and Qualifications:**

Public Co. CEO Senior Leadership  
Technology Industry Corporate  
Governance Risk Management Finance  
and Accounting Business Operations &  
Strategy Mergers & Acquisitions Debt  
and Equity Capital Markets

### **Other Public Company Directorships Held in the Last Five Years:**

Virtusa Corporation (2008 - 2020)

**Class III Directors - Serving a Term Ending in 2024:**



## Orlando P. Carvalho

Age: 64

Director Since: 2020

**Committee Memberships:**

Human Capital & Compensation M&A and Finance Nominating and Governance

**Primary Occupation:**

Former Executive Vice President, Aeronautics, Lockheed Martin

**Description of Business Experience:**

Mr. Carvalho has over 38 years of experience in the aerospace and defense industry with Lockheed Martin. Before his retirement from Lockheed Martin in 2018, he was Executive Vice President of Lockheed Martin's Aeronautics business, a 24,000-employee enterprise. Mr. Carvalho held several integral leadership positions with Lockheed Martin, including Executive Vice President and General Manager of the F-35 Lightning II Joint Strike Fighter program, President of Lockheed Martin Mission Systems & Sensors, and General Manager and Vice President of Surface-Sea Based Ballistic Missile Defense Systems. Mr. Carvalho presently serves on the Board of Advisors for the University of Maryland Robert H. Smith School of Business and he is an Associate Fellow of the American Institute of Aeronautics and Astronautics. Mr. Carvalho's qualifications to serve on our Board of Directors include his executive experience with defense contracting and his knowledge of defense and aerospace technology, operations, and program management.

**Skills and Qualifications:**

Senior Leadership Defense Industry  
Technology Industry Corporate  
Governance Risk Management Finance  
and Accounting Business Operations &  
Strategy Regulatory Talent Management  
Mergers & Acquisitions

**Other Public Company Directorships Held in the Last Five Years:**

None



## Barry R. Nearhos

Age: 64

Director Since: 2018

### Committee Memberships:

Audit (Chair) M&A and Finance  
Nominating and Governance

### Primary Occupation:

Former Managing Partner, PricewaterhouseCoopers

### Description of Business Experience:

Mr. Nearhos has over 35 years of experience with PricewaterhouseCoopers (PwC) providing assurance, business advisory, and other services to clients across multiple industries, including technology, life sciences, telecom, and manufacturing. Before his retirement from PwC in 2015, Mr. Nearhos was Market Managing Partner for PwC's Northeast region, responsible for directing the strategy and operations of the firm's Boston, Hartford, and Albany offices. During his tenure, he also served as the leader of PwC's Northeast Assurance practice, a position he held from 2005 until 2008, and as a partner in PwC's Assurance practice from 1989 to 2015. He was a director of Virtusa Corporation, a publicly-traded IT services and outsourcing company, from 2016 until its acquisition by private equity in 2021. Mr. Nearhos is one of our "audit committee financial experts." Mr. Nearhos' qualifications to serve on our Board of Directors include his strong accounting and financial expertise.

### Skills and Qualifications:

Senior Leadership Corporate Governance  
Risk Management Business Operations  
& Strategy Finance and Accounting  
Mergers & Acquisitions Talent  
Management Debt and Equity Capital  
Markets

### Other Public Company Directorships Held in the Last Five Years:

Virtusa Corporation (2016 - 2021)



## Debora A. Plunkett

Age: 62

Director Since: 2022

### Committee Memberships:

Audit Human Capital & Compensation  
Government Relations

### Primary Occupation:

Federal Senior Executive, National Security Agency (Retired)

### Description of Business Experience:

Ms. Plunkett's previous National Security Agency (NSA) positions include Director of Information Assurance from April 2010 to November 2014 and Deputy Director of Information Assurance from August 2008 to April 2010, where she led the agency's information assurance/cyber defense mission and directed thousands of NSA professionals worldwide. She also conceived and established the National Cyber Security Assistance Program to qualify commercial organizations for accreditation in performing cyber security services for national security systems, and advised Executive Branch decision-makers, including the National Security Council, on cyber issues. Most recently, Ms. Plunkett was the first person to serve in the newly established position of Senior

Advisor to the NSA Director, from November 2014 to January 2016, with a focus on enhancing equality, diversity, and inclusion for the agency's highly technical workforce. A highly credentialed professional, Ms. Plunkett received the Distinguished Service Medal and Exceptional Civilian Service Award from the NSA Director. She was awarded the Rank of Distinguished Executive by President Barack Obama, and the Rank of Meritorious Executive by President George W. Bush. As a recognized expert in national security, she has appeared on CBS/60 Minutes and Federal News Radio, been interviewed in the Washington Post, and given keynote addresses at high-profile cyber security and defense conferences. She currently serves on the CACI International and Nationwide Mutual Insurance Boards of Directors, is a Senior Fellow at Harvard University's Belfer Center, and a professor in the cybersecurity graduate program at the University of Maryland. Ms. Plunkett's qualifications to serve on our Board of Directors include her extensive experience in cyber and national security as well as information assurance.

### Skills and Qualifications:

Senior Leadership Defense Industry  
Technology Industry Risk Management  
Finance & Accounting Business  
Operations & Strategy Regulatory Talent  
Management

### Other Public Company Directorships Held in the Last Five Years:

CACI International Inc. (2018 - present)

J. C. Penney Company, Inc. (2017 - 2020)

## CORPORATE GOVERNANCE

### Corporate Governance Highlights

Our commitment to good corporate governance stems from our belief that a strong governance framework creates long-term value for our shareholders, strengthens Board and management accountability, and builds trust in us and our brand. Our governance framework includes the following highlights:

Board and Governance Information (1)		Board and Governance Information (1)	
Size of the Board of Directors	9	Board Meetings Held During Fiscal 2022	16
Number/ % of Independent Directors	8/ 89%	Poison Pill	(3)
Average Age of Independent Directors	64	Proxy Access	No
Average Independent Director Tenure	4 years	Code of Business Conduct and Ethics	Yes
Women Board Members	33%	Stock Ownership Guidelines: Directors & Executives	Yes
Board Committees Chaired by Women	40%	Board Refreshment: New Directors Over Past 5 Years	7
Racial/ Ethnically Diverse Board Members	11%	Board Policy to Reflect Diversity (Gender & Race)	Yes
Classified Board of Directors	Yes	Anti-Hedging and Pledging Policies	Yes
Majority Voting in Director Elections	Yes	Compensation Clawback Policy	Yes
Plurality Voting in Contested Director Elections	Yes	Separate Chairman and CEO	Yes
Annual Board and Committee Self-Assessments	Yes	Ongoing Shareholder Outreach and Engagement	Yes
Annual Director Peer Assessments	Yes	Capital Structure with One Vote per Common Share	Yes
Limited Membership on Other Public Co Boards	Yes	Succession Planning Process for Senior Management	Yes
Board Committees are 100% Independent Directors	Yes (2)	Regular Executive Sessions without Management	Yes

(1) Reflects the retirements of Messrs. James K. Bass and Michael A. Daniels effective upon the 2022 Annual Meeting of Shareholders.

(2) Each of the Audit Committee, Human Capital and Compensation Committee, Nominating and Governance Committee, and M&A and Finance Committee is comprised of 100% independent directors. Our CEO is a member of the Government Relations Committee as we believe his experience with our customers and markets adds value to this Committee.

(3) The limited duration shareholders rights agreement that the Board adopted in December 2021 expires effective upon the 2022 Annual Meeting of Shareholders.

### Independence

The Board of Directors has determined that a majority of the members of the Board should consist of "independent directors," determined in accordance with the applicable listing standards of the Nasdaq Global Select Market as in effect from time to time. Directors who are also Mercury employees are not considered to be independent for this purpose. For a non-employee director to be considered independent, he or she must not have any direct or indirect material relationship with Mercury. A material relationship is one which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In determining whether a material relationship exists, the Board considers, among other things, the circumstances of any direct compensation received by a director or a member of a director's immediate family from Mercury, any professional relationship between a director or a member of a director's immediate family and Mercury's outside auditors, any participation by a Mercury executive officer in the compensation decisions of other companies employing a director or a member of a director's immediate family as an executive officer, and commercial relationships between Mercury and other entities with which a director is affiliated (as an executive officer, partner, or controlling shareholder). The Board has determined that directors who serve on the Audit Committee must qualify as independent under the applicable rules of the Securities and Exchange Commission ("SEC"), which limit the types of compensation an Audit Committee member may receive directly or indirectly from Mercury and require that Audit Committee members not be "affiliated persons" of Mercury or its subsidiaries. In addition, the Board of Directors has determined that directors who serve on the Human Capital and Compensation Committee must satisfy the standards for being considered a "non-employee director" within the meaning of SEC Rule 16b-3.

Consistent with these considerations, the Board has determined that all of the members of the Board are independent directors, except Mr. Aslett, who is Mercury's President and Chief Executive Officer.



## How are nominees for the Board selected?

Our Nominating and Governance Committee is responsible for identifying and recommending nominees for election to the Board. The Committee will consider nominees recommended by a shareholder if the shareholder submits the nomination in compliance with applicable requirements. With respect to the nominees for Class I director standing for election at the meeting, Ms. Disbrow was most recently elected as a Class I director at the 2019 Annual Meeting of Shareholders and Messrs. Ballhaus and Lance were appointed to the Board in June 2022 as part of settlements with JANA Partners and Starboard Value executed in June 2022.

When considering a potential candidate for membership on the Board, the Nominating and Governance Committee will consider any criteria it deems appropriate, including, among other things, the experience and qualifications of any particular candidate as well as such candidate's past or anticipated contributions to the Board and its committees. At a minimum, each nominee is expected to have high personal and professional integrity and demonstrated ability and judgment, and to be effective, with the other directors, in collectively serving the long-term interests of our shareholders. In addition to these minimum qualifications, when considering potential candidates for the Board, the Committee seeks to ensure that the Board is comprised of a majority of independent directors and that the committees of the Board, other than the Government Relations Committee, are comprised entirely of independent directors. The Nominating and Governance Committee may also consider any other standards that it deems appropriate, including whether a potential candidate has direct experience in our industry and whether such candidate, if elected, would assist in achieving a mix of directors that represents a diversity of backgrounds and experiences. Our Board Policy recognizes the benefits that diversity brings to the Board and states that the Board has a goal to reflect gender, ethnic, and racial diversity in its membership. The Committee generally will evaluate and consider all candidates recommended by our directors, officers, and shareholders. The Committee intends to consider shareholder recommendations for directors using the same criteria that would be used with potential nominees recommended by members of the Committee or others, and the Committee used such criteria when it evaluated the nominations of Messrs. Ballhaus and Lance by JANA Partners and Starboard Value, respectively, in 2022.

Shareholders who wish to submit director candidates for consideration should send such recommendations to our Secretary at our executive offices not less than, unless a lesser time period is required by applicable law, 120 days nor more than 150 days prior to the anniversary date of the immediately preceding annual meeting of stockholders or special meeting in lieu of an annual meeting. Such recommendations must include the following information as to each person whom the shareholder proposes to nominate for election or reelection as a director:

- the name and address of the shareholder and each of his or her nominees;
- a description of all arrangements or understandings between the shareholder and each such nominee;
- such other information as would be required to be included in a proxy statement soliciting proxies for the election of the nominees of such shareholder; and
- the consent of each nominee to serve as a Director if so elected.

In addition, such recommendations must include the following information as to each shareholder giving the notice:

- the number of all shares of Mercury stock held of record, owned beneficially (directly or indirectly) and represented by proxy by such shareholder as of the date of such notice and as of one year prior to the date of such notice;
- a description of all arrangements or understandings between such shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such shareholder;
- a description of any derivative position held or beneficially held (directly or indirectly) by such shareholder with respect to Mercury stock;
- a description of any proxy, contract, arrangement, understanding, or relationship between such shareholder and any other person or persons (including their names and addresses) in connection with the nomination or nominations to be made by such shareholder or pursuant to which such shareholder has a right to vote any Mercury stock; and
- a description of any proportionate interest in Mercury stock or derivative positions with respect to Mercury held, directly or indirectly, by a general or limited partnership in which such shareholder is a general partner or, directly or indirectly, beneficially owns an interest in such a general partner.

We may require any proposed nominee to furnish such other information as may reasonably be required by us to determine the eligibility of such proposed nominee to serve as a director. Shareholders must also submit any other information regarding the proposed director candidate that is required to be included in a proxy statement filed pursuant to SEC rules. See also the

information contained elsewhere in this proxy statement under the heading "Shareholder Proposals for the 2023 Annual Meeting."

### **Can I communicate with Mercury's directors?**

Yes. Shareholders who wish to communicate with the Board or with a particular director may send a letter to Mercury Systems, Inc., 50 Minuteman Road, Andover, Massachusetts 01810, attention: Secretary. The mailing envelope should contain a clear notation that the enclosed letter is a "Shareholder-Board Communication" or "Shareholder-Director Communication." All such letters should clearly state whether the intended recipients are all members of the Board or certain specified individual directors. Our Secretary will make copies of all such letters and circulate them to the appropriate director or directors.

### **What committees has the Board established?**

The Board of Directors has standing Audit, Human Capital and Compensation, Nominating and Governance, M&A and Finance, and Government Relations Committees. As described above under the heading "Independence," all of the members of the Audit, Human Capital and Compensation, Nominating and Governance, and M&A and Finance Committees are deemed to be independent directors. Each of our Board committees acts under a written charter, copies of which can be found on our website at [www.mrcy.com](http://www.mrcy.com) on the "Investor Relations" page under "Corporate Governance."

#### ***Audit Committee***

The Audit Committee assists the Board in its oversight of management's conduct of our accounting and financial reporting processes, including by providing oversight with respect to the financial reports and other financial information provided by our systems of internal accounting and financial controls, and the annual audit of our financial statements. The Audit Committee also reviews the qualifications, independence, and performance of our independent registered public accounting firm, pre-approves all audit and non-audit services provided by such firm and its fees, and discusses with management and our independent registered public accounting firm the quality and adequacy of our internal control over financial reporting. The Audit Committee is directly responsible for the appointment, compensation, retention, and oversight of the work of our independent registered public accounting firm, which reports directly to the Audit Committee. The Audit Committee also is responsible for reviewing and approving related-person transactions in accordance with our Code of Business Conduct and Ethics and the Audit Committee charter.

#### ***Human Capital and Compensation Committee***

The Human Capital and Compensation Committee is responsible for:

- setting the compensation of our executive officers;
- reviewing and approving employment agreements, consulting arrangements, severance or retirement arrangements, and change-in-control arrangements or provisions covering any of our current or former executive officers;
- overseeing the administration of our equity-based and other long-term incentive plans;
- exercising any fiduciary, administrative, or other function assigned to the committee under any of our health, benefit, or welfare plans, including our 401(k) retirement savings plan;
- reviewing the compensation and benefits for non-employee directors and making recommendations for any changes to our Board;
- overseeing the development and implementation of succession planning for our senior executives; and
- overseeing our human capital management practices, including our culture, talent recruitment, development, and retention, employee engagement, workplace safety, and diversity, equity, and inclusion.

All of the independent directors on the Board annually review and approve our CEO's corporate financial performance objectives, and evaluate the CEO's performance in light of those goals and objectives. Based on the foregoing, the Human Capital and Compensation Committee sets the CEO's compensation, including salary, target bonus, bonus and over-achievement payouts, and equity-based compensation, and any other special or supplemental benefits, which is then subject to ratification by a majority of the independent directors on our Board. Our CEO annually evaluates the contribution and performance of our other executive officers and provides input to the Human Capital and Compensation Committee, and the Committee sets their compensation. Our Senior Vice President, Chief Human Resources Officer and the Committee's independent compensation consultant also make recommendations to the Committee regarding compensation for our executives.

The Human Capital and Compensation Committee may delegate to the Chief Executive Officer, the Chief Financial Officer, the General Counsel, and the Chief Human Resources Officer the authority to grant equity awards under our 2018 Stock Incentive Plan to individuals who are not subject to the reporting and other requirements of Section 16 of the Exchange Act. The Committee may also delegate the administration of the health, benefit, and welfare plans within the scope of its oversight to our human resources and finance departments and to outside service providers, as appropriate.

The Human Capital and Compensation Committee is authorized to obtain advice and assistance from independent compensation consultants, outside legal counsel, and other advisors as it deems appropriate, at our expense. The Committee has engaged an outside compensation consultant, which has been Mercer since 2018, to assist the Committee in applying our compensation philosophy for our executive officers and non-employee directors, analyzing current compensation conditions in the marketplace generally and among our peers specifically, and assessing the competitiveness and appropriateness of compensation levels for our executive officers. Representatives of Mercer regularly attend Committee meetings, both with and without members of management present, and interact with members of our human resources department with respect to its assessment of the compensation for our executive officers. In addition, at the direction of the Committee, Mercer may assist management in analyzing the compensation of our non-executive employees. Mercer's services also include providing a chief medical advisor for COVID related planning and due diligence services for M&A pursuits.

The Human Capital and Compensation Committee's independent compensation consultant provides input to the Committee regarding compensation for non-employee directors. The Committee then recommends any changes in the compensation and benefits for non-employee directors to the full Board for its consideration and approval.

Information regarding fees paid to Mercer can be found in the Compensation Discussion & Analysis section of this proxy statement under "Role of the Compensation Consultant".

### ***Nominating and Governance Committee***

The Nominating and Governance Committee assists the Board in identifying individuals qualified to become Board members, and recommends to the Board persons to be nominated for election as directors by the shareholders at the annual meeting of shareholders or by the Board to fill vacancies. The Committee has recommended the nominees for election at the annual meeting. The Committee oversees the process by which the Board and Committees each assesses its effectiveness as well as the individual director peer assessment process. The Committee reviews our Board of Directors Policy and reviews our environmental sustainability policies, strategies, and related disclosures and reports to the Board any recommendations for changes in the Company's governance of environmental risks and opportunities. The Committee is authorized to obtain advice and assistance from independent consultants, director search firms, outside counsel, and other advisors as it deems appropriate, at our expense.

### ***M&A and Finance Committee***

The M&A and Finance Committee assists the Board in reviewing and assessing M&A transactions. The Committee is comprised of at least three members, all independent directors, as appointed by the Board. The Committee also serves as the pricing committee for any of the Company's capital markets activities.

### ***Government Relations Committee***

The Government Relations Committee, consisting of three or more members as appointed by the Board, assists the Board with the following functions:

- identifying and evaluating global security, political, budgetary, regulatory, and other issues, trends, opportunities, and challenges that could impact our business activities and performance;
- making recommendations to continue to raise our visibility in the marketplace and awareness of our commercial business model, as well as our products and capabilities; and
- making recommendations concerning our government relations activities, including our interactions with the federal government on matters of impact to our business with the aim of enhancing our customer base.

In carrying out its duties and responsibilities, the Government Relations Committee has the authority to meet with and make inquiries of our employees as well as obtain advice and assistance from external advisors.

## How often did the Board and Committees meet during fiscal 2022?

The Board of Directors met 16 times during fiscal 2022. The table below reports information about the membership of the committees as of July 1, 2022:

Name	Audit Committee(1)	Human Capital & Compensation Committee	Nominating & Governance Committee	M&A and Finance Committee	Government Relations Committee
Mark Aslett					X
William L. Ballhaus	X		X	X	
James K. Bass	X			X	
Orlando P. Carvalho		X	X	X	
Michael A. Daniels		X	X	Chair	X
Lisa S. Disbrow	X	X			Chair
Mary Louise Krakauer		Chair			X
Howard L. Lance		X	X	X	X
Barry R. Nearhos	Chair		X	X	
William K. O'Brien	X		Chair	X	
Debora A. Plunkett	X	X			X
Number of Meetings During Fiscal 2022	9	11	6	1	4

(1) The Board has determined that each of Messrs. Bass, Nearhos, and O'Brien and Ms. Disbrow qualified as an "audit committee financial expert" and that Mr. Ballhaus and Ms. Plunkett qualify as "financially literate" under SEC rules.

All of the directors attended at least 75% of the meetings of the Board of Directors and committees of the Board on which they served.

Our independent directors regularly meet in executive sessions outside the presence of management. The independent directors met six times during the last fiscal year in executive session without management present. All meetings, or portions of meetings, of the Board at which only independent directors were present were presided over by Mr. O'Brien, our Chairman of the Board.

## How Does Mercury Approach Board Refreshment?

To garner new ideas and perspectives, and to respond to the ever-changing needs of our stakeholders, the Board actively seeks candidates representing a range of tenures, areas of expertise, industry experience, and backgrounds. In 2017, the Board added Lisa S. Disbrow and Mary Louise Krakauer, in 2018 the Board added Barry R. Nearhos, in 2020 the Board added Orlando P. Carvalho, in 2021 the Board added Debora A. Plunkett, and in 2022 the Board added William L. Ballhaus and Howard L. Lance. Seven of the nine directors that will continue on the Board following the 2022 Annual Meeting were elected during the last five years. James K. Bass and Michael A. Daniels, both Class I directors, informed the Board of Directors that they will retire from service on the Board at the end of their current term effective at the 2022 Annual Meeting of Shareholders.

## Does Mercury have a policy regarding director attendance at annual meetings of the shareholders?

Directors are encouraged to attend the annual meeting of shareholders, or special meeting in lieu thereof; however, we do not have a formal policy with respect to attendance at shareholder meetings. All of the directors then in office attended the 2021 annual meeting of shareholders.

## Does Mercury have stock ownership guidelines for directors?

Each non-employee director is expected to own or control, directly or indirectly, shares of the Company's common stock equal to five times the value of the annual director cash retainer within five years of first becoming a non-employee director. Each non-employee director is expected to retain such investment in the Company as long as he or she is a non-employee director. Exceptions to this stock ownership guideline may be approved from time to time by the Board as it deems necessary to address individual circumstances. All of our non-employee directors are in compliance with the stock ownership guidelines.

**Does Mercury have a Code of Business Conduct and Ethics?**

Yes. We have adopted a Code of Business Conduct and Ethics applicable to our officers, directors, and employees. This code is posted on our website at [www.mrcy.com](http://www.mrcy.com) on the "Investor Relations" page under "Corporate Governance." We intend to satisfy our disclosure requirements regarding any amendment to, or waiver of, a provision of our Code of Business Conduct and Ethics by disclosing such matters on our website.

**Does Mercury have a Human Rights Policy?**

Yes. We have adopted a Human Rights Policy applicable to our employees and our suppliers. Our Human Rights Policy is posted on our website at [www.mrcy.com](http://www.mrcy.com) on the "Investor Relations" page under "Corporate Governance." This Policy goes beyond mere compliance with law. When differences arise between standards and legal requirements, the stricter standard applies, in compliance with applicable law. We also expect our employees and suppliers to conduct themselves in accordance with all other Mercury policies, including the Code of Business Conduct and Ethics.

**Does Mercury have a Supplier Code of Conduct?**

Yes. We have adopted a Supplier Code of Conduct. Our Supplier Code of Conduct is posted on our website at [www.mrcy.com](http://www.mrcy.com). Our Supplier Code establishes minimum expectations and requirements for suppliers, as well as their employees, subcontractors, and agents in connection with their business dealings with Mercury. We encourage suppliers to go beyond the principles outlined in the Supplier Code and to observe the highest international standards. If a matter is not expressly addressed in the Supplier Code, we expect suppliers to use good judgment and respect the spirit of the Supplier Code.

**Does Mercury have a method for the anonymous reporting of accounting, legal, and ethical concerns?**

Yes. Our Code of Business Conduct and Ethics, our Human Rights Policy, and our Supplier Code of Conduct each include a means for the anonymous reporting of any concerns about accounting, legal, and ethical matters. Any employee, supplier, customer, shareholder, or other interested party can submit a report via the following anonymous methods:

- by telephone voicemail at 866-277-5739; or
- by submitting a complaint via the internet at [www.whistleblowerservices.com/mrcy](http://www.whistleblowerservices.com/mrcy).

**Does Mercury have a written policy governing related-person transactions?**

Yes. We have adopted a written policy which provides for the review and approval by the Audit Committee of transactions involving Mercury in which a related person is known to have a direct or indirect interest and that are required to be reported under Item 404(a) of Regulation S-K promulgated by the SEC. For purposes of this policy, a related person includes: (1) any of our directors, director nominees, or executive officers; (2) any known beneficial owner of more than 5% of any class of our voting securities; or (3) any immediate family member of any of the foregoing. In situations where it is impractical to wait until the next regularly scheduled meeting of the Audit Committee or to convene a special meeting of the Committee, the Chair of the Committee has been delegated authority to review and approve related-person transactions. Transactions subject to this policy may be pursued only if the Audit Committee (or the Chair of the Committee acting pursuant to delegated authority) determines in good faith that, based on all the facts and circumstances available, the transactions are in, or are not inconsistent with, the best interests of Mercury and our shareholders.

**Does Mercury make corporate political contributions?**

No, we do not use corporate funds for political contributions. If we were to use corporate funds for political activities, per our Code of Business Conduct and Ethics, any such contribution would require approval by the Board of Directors.

**Does Mercury have a shareholder rights agreement?**

The limited duration shareholder rights agreement adopted by the Board in December 2021 expires effective as of the 2022 Annual Meeting of Shareholders.

**Does Mercury regularly engage with its shareholders?**

Yes. Our executive officers and the Board believe that shareholder engagement is an important component of our governance practices. The Chairman of the Board and the Chair of the Human Capital and Compensation Committee, as well as

members of management, engage with shareholders on a variety of matters, such as corporate governance, executive compensation, and sustainability and have been responsive to the feedback provided by shareholders. Our shareholder engagement program is a year-round process that includes an investor day, regular participation at investment conferences, and our engagement with shareholders on non-deal roadshows at which our executives regularly meet with shareholders.

### **How Does the Board of Directors Exercise Its Oversight of Risk?**

Our Chief Executive Officer and senior management are principally responsible for risk identification, management, and mitigation. Our senior management engages in an enterprise risk management ("ERM") process each fiscal year. The process consists of an annual assessment of risks and an ongoing review of risk mitigation efforts and assessment of new risk developments. At regularly scheduled Board meetings, our Senior Director of Internal Audit reviews the key risks identified in the ERM process and management's plans for mitigating such risks. Our directors have the opportunity to evaluate such risks and mitigation plans, to ask questions of management regarding those risks and plans, and to offer their ideas and insights to management as to these and other perceived risks and the implementation of risk mitigation plans.

In addition to discussions at regular Board meetings, the Audit Committee focuses on risks related to accounting, internal controls, financial and tax reporting, and related-party transactions; the Human Capital and Compensation Committee focuses on risks associated with our executive compensation policies and practices, executive succession planning, and human capital management practices and metrics; the Nominating and Governance Committee focuses on risks associated with non-compliance with SEC and Nasdaq requirements for director independence, the implementation of our corporate governance policies, and environmental sustainability policies and strategies; the M&A and Finance Committee focuses on risks related to our acquisition activities; and the Government Relations Committee focuses on risks to our business from governmental actions, including the defense budget and continuing budget resolutions.

### **How is the Leadership of the Board of Directors Structured and How Does this Leadership Structure Impact Risk Oversight?**

Our Board Policy provides that the Chairman of the Board will be elected from among the independent directors, barring the Board's specific determination otherwise. If, in its judgment the Board determines that election of a non-independent Chairman would best serve the Company at a particular time, such a Chairman would be excluded from executive sessions of the independent directors. In such case, a Lead Independent Director, as appointed from time to time, would preside over executive sessions and would perform such other duties as might be determined from time to time by the Board.

The Board has determined that having a separate Chairman and Chief Executive Officer is the most appropriate leadership structure for the Board of Directors at this time. However, the roles of Chairman and CEO may be filled by the same or different individuals. This allows the Board of Directors flexibility to determine whether the two roles should be combined in the future based upon the Company's needs and the Board of Directors' assessment of the Company's leadership from time to time.

As discussed above, our Chief Executive Officer and senior management are principally responsible for risk identification, management, and mitigation through our ERM process. Our Chairman of the Board is responsible for providing leadership for the Board, including the Board's evaluation of management's ERM process.

The Board of Directors meets in executive session without management present at most quarterly Board meetings and the Audit Committee meets in executive session at most quarterly Committee meetings, as well as having regular executive sessions with our Senior Director of Internal Audit and our independent registered public accounting firm.

### **Does Mercury have a commitment to sustainability and provide information on its Environmental, Social, and Governance ("ESG") practices?**

Please see the Executive Summary of this proxy statement as well as the ESG section of our website, [www.mrcy.com](http://www.mrcy.com), under "Company" for detailed disclosures on our commitment to sustainability and ESG practices. Information contained on our website and social media channels does not constitute part of this proxy statement or our annual report on Form 10-K.

### **Does Mercury have a commitment to culture and values?**

We are aware that the workforce required to grow our business and deliver creative solutions is rich in diversity of thought, experience, and culture. Our diversity and inclusion focus on building and maintaining the talent that will create cohesive and collaborative teams that drive innovation.

Our industry leadership is attributable to the spirit and commitment of our employees.

We are a destination employer for high performing, diverse, global talent. We strive to deliver a world-class employee experience in a fast paced, energetic, and innovative environment that values results, caring, and learning.

We are dedicated to providing a world class employee experience and maximizing the potential of our greatest asset — our people. We embrace growth and the opportunity it brings, with a focus on: a healthy, vibrant, high performance culture; organizational effectiveness; a robust talent pipeline; compensation that recognizes and rewards success; and lifelong learning and mentoring.

We are committed to making Mercury a great place to work, no matter where our employees are located. We offer a casual and enjoyable work environment and encourage employees to get involved. Our social committees at each site organize a range of engagement activities including: holiday celebrations, participation in community events such as blood drives and organized family-friendly events.

At Mercury, we believe in building strong communities both inside our company and in the areas where we live and work. We are committed to our vision for strong communities, and we are taking action to achieve our goals. We strive to positively impact our local and global communities and understand that an important part of our success is giving back. As a community, we participate in charitable and educational initiatives around the world, donating time and contributing financially to community organizations focused on our country's youth and armed/veteran services. Additionally, our team members are involved in numerous community service and fundraising events throughout the year.

## DIRECTOR COMPENSATION

The Human Capital and Compensation Committee performs an annual review of non-employee director compensation. Our director compensation philosophy is to provide our non-employee directors with competitive compensation. Our compensation philosophy is intended to offer compensation that attracts highly qualified non-employee directors and retain the leadership and skills necessary to build long-term shareholder value. Directors who are also our employees receive no additional compensation for serving on the Board of Directors.

### *Fiscal 2022*

During fiscal 2022, our non-employee directors received an annual cash retainer of \$65,000 and the following positions received additional cash retainers:

Independent Chairman of the Board	\$45,000 per annum
Chairman of the Audit Committee	25,000 per annum
Chairman of the Human Capital and Compensation Committee	20,000 per annum
Chairman of the Nominating and Governance Committee	12,000 per annum
Chairman of the Government Relations Committee	12,000 per annum
Chairman of the M&A and Finance Committee	12,000 per annum

All of these retainers are paid in cash in quarterly installments. Directors are also reimbursed for their reasonable expenses incurred in connection with attendance at Board and committee meetings.

New non-employee directors are granted restricted stock awards in connection with their first election to the Board. These awards are granted by the Board of Directors and consist of shares of restricted stock for the number of shares of common stock equal to \$225,000 divided by the average closing price of our common stock during the 30 calendar days prior to the date of grant. These awards vest as to 50% of the covered shares on each of the first two anniversaries of the date of grant.

Non-employee directors also receive annual restricted stock awards for the number of shares of common stock equal to \$175,000 divided by the average closing price of our common stock during the 30 calendar days prior to the date of grant. These awards vest on the first anniversary of the date of grant.

Non-employee directors will not be eligible to receive an annual restricted stock award for the fiscal year in which they are first elected.

The compensation paid to the non-employee members of the Board of Directors with respect to fiscal 2022 was as follows:

### Non-Employee Director Compensation

Name	Fees Earned	Restricted Stock Awards \$(1)	Total
William L. Ballhaus	\$ 16,250	\$ 222,592	\$ 238,842
James K. Bass	65,000	179,911	244,911
Orlando P. Carvalho	65,000	179,911	244,911
Michael A. Daniels	77,000	179,911	256,911
Lisa S. Disbrow	77,000	179,911	256,911
Mary Louise Krakauer	85,000	179,911	264,911
Howard L. Lance	16,250	222,592	238,842
Barry R. Nearhos	90,000	179,911	269,911
William K. O'Brien	122,000	179,911	301,911
Debora A. Plunkett	48,750	231,357	280,107

(1) This column represents the grant date fair value of restricted stock awards for fiscal 2022 in accordance with FASB ASC Topic 718. The grant date fair value of the restricted stock awards granted to non-employee directors in fiscal 2022 has been calculated by multiplying the number of shares granted by the closing price of our common stock as reported on the Nasdaq Global Select Market on the date of grant.



The aggregate number of unvested restricted stock awards outstanding for each non-employee director at July 1, 2022 was as follows:

<b>Name</b>	<b>Aggregate Unvested Restricted Stock Awards (# of shares)</b>
William L. Ballhaus	3,767
James K. Bass	3,518
Orlando P. Carvalho	3,518
Michael A. Daniels	3,518
Lisa S. Disbrow	3,518
Mary Louise Krakauer	3,518
Howard L. Lance	3,767
Barry R. Nearhos	3,518
William K. O'Brien	3,518
Debra A. Plunkett	4,524

***Fiscal 2023***

The Human Capital and Compensation Committee, with the assistance of the Committee's independent compensation consultant, performed its annual review of the Company's compensation for non-employee directors. Based on market data, including data for our peer groups, the Committee recommended, and the Board of Directors approved, no changes to the compensation for non-employee directors for fiscal 2023.

## EQUITY COMPENSATION PLANS

The following table sets forth information as of July 1, 2022 with respect to existing compensation plans under which our equity securities are authorized for issuance.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in the first column)
Equity compensation plans approved by shareholders (2)	— (3)	\$ —	505,103 (4)
Equity compensation plans not approved by shareholders	—	—	—
<b>TOTAL</b>	<b>—</b>	<b>\$ —</b>	<b>505,103</b>

(1) Does not include outstanding unvested restricted stock awards.

(2) Consists of our 2018 Stock Incentive Plan, as amended and restated to date ("2018 Plan"), and our 1997 Employee Stock Purchase Plan, as amended and restated to date ("ESPP").

(3) Does not include purchase rights under the ESPP, as the purchase price and number of shares to be purchased is not determined until the end of the relevant purchase period.

(4) Includes 192,211 shares available for future issuance under the 2018 Plan and 312,892 shares available for future issuance under the ESPP.

## **PROPOSAL 2: ADVISORY VOTE ON EXECUTIVE COMPENSATION ("SAY-ON-PAY")**

Pursuant to Section 14A of the Securities Exchange Act of 1934, as amended, we provide our shareholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission.

As described in greater detail under the heading "*Compensation Discussion and Analysis*," we seek to closely align the interests of our named executive officers with the interests of our shareholders. Our compensation programs are designed to reward our named executive officers for the achievement of short-term and long-term strategic and operational goals, which should result in increased value for our shareholders, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking.

### **Required Vote**

This vote is advisory, which means that the vote on executive compensation is not binding on us, our Board of Directors, or the Human Capital and Compensation Committee. The vote on this resolution is not intended to address any specific element of compensation, but rather relates to the overall compensation of our named executive officers, as described in this proxy statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission. To the extent there is a significant vote against our named executive officer compensation as disclosed in this proxy statement, the Human Capital and Compensation Committee will evaluate whether any actions are necessary to address our shareholders' concerns.

The affirmative vote of a majority of the votes properly cast is required to approve this Proposal 2.

Accordingly, we ask our shareholders to vote on the following resolution at the Annual Meeting:

"RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table, and the other related tables and disclosure."

### **Recommendation**

**The Board of Directors recommends a vote FOR the approval of the compensation of our named executive officers, as disclosed in this proxy statement.**

### **PROPOSAL 3: APPROVAL OF AMENDED AND RESTATED 2018 STOCK INCENTIVE PLAN**

In July 2022, our Board of Directors adopted, subject to the approval of our shareholders, our amended and restated 2018 Stock Incentive Plan (the "2018 Plan") to increase the number of shares available for issuance by 2,000,000 shares.

#### **Summary of Changes**

In order to be able to make anticipated grants, the Board has amended the 2018 Plan to increase the number of shares authorized for issuance under the 2018 Plan by an additional 2,000,000 shares. If the shareholders approve the proposed amendment and restatement of the 2018 Plan, the additional shares to be issued under the 2018 Plan will be authorized but unissued shares.

As of July 1, 2022, there were 192,211 shares available for issuance under the 2018 Plan, with 2,072,391 outstanding time-based and performance-based restricted and deferred shares. As of July 1, 2022, there were also 233,513 contingent restricted share units outstanding ("Contingent RSUs") that are subject to shareholder approval of our amended and restated 2018 Plan in order to be convertible into shares of our common stock. The Contingent RSUs are not reflected in the calculation of the 192,211 shares available for future issuance under the 2018 Plan as set forth above. In the event shareholders approve our amended and restated 2018 Plan, the Contingent RSUs will be outstanding under the 2018 Plan immediately thereafter, which will reduce the number of shares available for issuance under the 2018 Plan accordingly. There were no stock options outstanding under the 2018 Plan as of July 1, 2022. We believe the additional 2,000,000 shares requested for the plan, together with the shares available under the plan, should last for two fiscal years depending on our organic growth, future M&A transactions, and changes in the price of our common stock.

#### **Corporate Governance and Best Practice Highlights**

The 2018 Plan and our corporate guidelines reflect best practices in equity compensation, including:

- awards do not vest solely on account of a change in control (requires a qualifying termination following a change in control or an acquiring company refusing to assume outstanding awards);
- no repricing of stock options or stock appreciation rights;
- no discounted stock options or stock appreciation rights;
- awards are subject to forfeiture provisions;
- the plan does not allow for "liberal share counting" (that is, reuse of shares tendered, exchanged, or withheld to cover option exercise costs, any award shares withheld to cover taxes, and all shares underlying an award of stock appreciation rights once such stock appreciation rights are exercised);
- the plan does not contain any "evergreen" provisions that automatically add shares to the plan reserve;
- the plan does not contain tax gross-ups;
- no payment of dividends or dividend equivalents on unvested awards;
- we require executives and directors to comply with significant stock ownership guidelines;
- we prohibit hedging and pledging of company stock;
- the plan contains limits on individual awards;
- the plan contains minimum vesting and performance periods;
- the plan is administered by a committee of independent directors; and
- we regularly present the plan to shareholders for approval (the plan was last submitted for approval in 2020).

#### **Summary of the Amended and Restated 2018 Plan**

The following is a summary of certain major features of the 2018 Plan. This summary is subject to the specific provisions contained in the full text of the 2018 Plan, which is attached as Appendix A to this proxy statement.

*Plan Administration.* The Human Capital and Compensation Committee has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the 2018 Plan. The Human Capital and Compensation Committee may delegate to our CEO, our Chief Human Resources Officer, or any executive

officer the authority to grant awards at fair market value to employees who are not subject to the reporting and other provisions of Section 16 of the Exchange Act.

*Eligibility and Limitations on Grants.* Persons eligible to participate in the 2018 Plan are those full or part-time officers, employees, non-employee directors, and other key persons (including consultants) of the Company and its subsidiaries as selected from time to time by the Human Capital and Compensation Committee. As of July 1, 2022, approximately 2,400 individuals were eligible to participate in the 2018 Plan. The closing price per share of our common stock as reported by the Nasdaq Global Select Market was \$64.00 on July 1, 2022.

*Shares Reserved for Issuance.* Of the 5,862,000 shares of our common stock, par value \$.01 per share, authorized for issuance under the 2018 Plan, there were only 192,000 shares remaining available for issuance as of July 1, 2022. If the proposed amendment to the plan is approved by shareholders, the aggregate number of shares reserved and available for issuance will be increased by 2,000,000 shares, and the total number of shares authorized for issuance under the 2018 Plan from its inception will be increased from 5,862,000 shares to 7,862,000 shares. With this change, the maximum number of shares of stock reserved and available for issuance under the 2018 Plan will be 7,862,000 shares, plus the number of shares of stock reserved and available for issuance under the Company's Amended and Restated 2005 Stock Incentive Plan (the "2005 Stock Incentive Plan") as of October 24, 2018, the date of shareholder approval of the original 2018 Plan. For purposes of this limitation, the shares of stock underlying any awards that are forfeited, are canceled, expire or are terminated (other than by exercise) under (i) the 2018 Plan and (ii) from and after shareholder approval of the 2018 Plan, the 2005 Stock Incentive Plan, shall be added to the shares of stock available for issuance under the 2018 Plan. Shares tendered or held back upon exercise of an option or settlement of an award to cover the exercise price or tax withholding shall not be available for future issuance under the 2018 Plan. In addition, upon exercise of stock appreciation rights, the gross number of shares exercised shall be deducted from the total number of shares remaining available for issuance under the 2018 Plan. Also, shares purchased in the open market using proceeds received upon the exercise of a stock option shall not be available for future issuance under the 2018 Plan. The maximum award of stock options or stock appreciation rights granted to any one individual will not exceed 500,000 shares of common stock (subject to adjustment for stock splits and similar events) for any calendar year period.

*Effect of Grants.* The grant of any award other than a stock option or a stock appreciation right will reduce the number of shares of common stock available for issuance under the 2018 Plan by 2.0 shares of common stock for each such share actually subject to the award. The grant of a stock option or a stock appreciation right will be deemed as an award of one share of common stock for each such share actually subject to the award.

*Stock Options.* The 2018 Plan permits the granting of (1) options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Code and (2) options that do not so qualify. Options granted under the 2018 Plan will be non-qualified options if they fail to qualify as incentive options or exceed the annual limit on incentive stock options. Non-qualified options may be granted to any persons eligible to receive incentive options and to non-employee directors and key persons. The option exercise price of each option will be determined by the Human Capital and Compensation Committee but may not be less than 100% of the fair market value of the common stock on the date of grant. The 2018 Plan provides for 7,862,000 shares that can be granted in the form of incentive stock options. No dividends or dividend equivalents shall be paid on stock options.

The term of each option will be fixed by the Human Capital and Compensation Committee and may not exceed seven years from the date of grant. The Human Capital and Compensation Committee will determine at what time or times each option may be exercised. Options may be made exercisable in installments and the exercisability of options may be accelerated by the Human Capital and Compensation Committee. Options may be exercised in whole or in part with written notice to the Company.

Upon exercise of options, the option exercise price must be paid in full (1) in cash, by certified or bank check, or other instrument acceptable to the Human Capital and Compensation Committee, (2) by delivery (or attestation to the ownership) of shares of common stock that are beneficially owned by the optionee, (3) subject to applicable law, by a broker pursuant to irrevocable instructions to the broker from the optionee, or (4) by net exercise.

To qualify as incentive options, options must meet additional federal tax requirements, including a \$100,000 limit on the value of shares subject to incentive options that first become exercisable by a participant in any one calendar year.

In the event stock options awarded to employees have a performance-based goal, the vesting period will be at least one year, and in the event any stock options awarded to employees have a time-based restriction, the vesting period will be at least three years, but vesting can occur incrementally over the three-year period. No portion of any stock option granted to employees may vest prior to the first anniversary of the grant date.

*Stock Appreciation Rights.* The Human Capital and Compensation Committee may award a stock appreciation right either as a freestanding award or in tandem with a stock option. The Committee may award stock appreciation rights subject to such conditions and restrictions as the Committee may determine, provided that (1) upon exercise of a stock appreciation right

granted in tandem with an option, the applicable portion of any related option shall be surrendered, and (2) stock appreciation rights granted in tandem with options are exercisable at such time or times and to the extent that the related stock options are exercisable. The term of each stock appreciation right may not exceed seven years. No dividends or dividend equivalents shall be paid on stock appreciation rights.

In the event awards made to employees have a performance-based goal, the restriction period will be at least one year, and in the event any awards made to employees have a time-based restriction, the restriction period will be at least three years, but vesting can occur incrementally over the three-year period. No portion of any stock appreciation right granted to employees may vest prior to the first anniversary of the grant date.

*Restricted Stock.* The Human Capital and Compensation Committee may award shares of common stock to participants subject to such conditions and restrictions as the Committee may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with the Company through a specified restricted period. However, in the event awards made to employees have a performance-based goal, the restriction period will be at least one year, and in the event any awards made to employees have a time-based restriction, the restriction period will be at least three years, but vesting can occur incrementally over the three-year period. No portion of any restricted stock award granted to employees may vest prior to the first anniversary of the grant date. Cash dividends and stock dividends, if any, with respect to restricted stock shall be withheld by the Company for the grantee's account, and shall be subject to forfeiture to the same degree as the shares of restricted stock to which such dividends relate. Except as otherwise determined by the Committee, no interest will accrue or be paid on the amount of any cash dividends withheld.

*Deferred Stock Awards.* The Human Capital and Compensation Committee may award phantom stock units as deferred stock awards to participants. Deferred stock awards are ultimately payable in the form of shares of common stock and may be subject to such conditions and restrictions as the Committee may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with the Company through a specified vesting period. However, in the event awards made to employees have a performance-based goal, the restriction period will be at least one year, and in the event any awards have a time-based restriction, the restriction period will be at least three years, but vesting can occur incrementally over the three-year period. No portion of any deferred stock award granted to employees may vest prior to the first anniversary of the grant date. In the Committee's sole discretion and subject to the participant's compliance with the procedures established by the Committee and requirements of Section 409A of the Code, it may permit a participant to make an advance election to receive a portion of his or her future cash compensation otherwise due in the form of a deferred stock award. During the deferral period, a grantee shall have no rights as a shareholder; provided, however, that the grantee may be credited with dividend equivalent rights with respect to the phantom stock units underlying his or her deferred stock award, subject to such terms and conditions as the Committee may determine, but shall not be entitled to dividends, if any, or dividend equivalents prior to settlement.

*Performance-Based Awards.* The 2018 Plan provides that the Human Capital and Compensation Committee may require that the vesting of awards be conditioned on the satisfaction of one or more of the performance criteria.

*Detrimental Activity.* The Human Capital and Compensation Committee may cancel, rescind, suspend, or otherwise limit any award to a participant if the participant engages in detrimental activities, including rendering services to a competitor of the Company, disclosing confidential information without permission, refusing to assign inventions to the Company, soliciting employees or customers of the Company, engaging in an activity that results in a termination for cause, materially violating any internal policies of the Company, or being convicted of, or pleading guilty to, a crime.

*Tax Withholding.* Participants in the 2018 Plan are responsible for the payment of any federal, state, or local taxes that we are required by law to withhold upon any option exercise or vesting of other awards. Subject to approval by the Human Capital and Compensation Committee, depending on the withholding method, a grantee may elect to have such grantee's tax withholding obligation satisfied at the minimum or other applicable withholding rate in the grantee's applicable jurisdiction, including maximum applicable rates that may be utilized without creating adverse accounting treatment under Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor pronouncement thereto) and permitted under applicable withholding rules promulgated by the Internal Revenue Service or another applicable governmental entity, in whole or in part, by (i) authorizing the Company to withhold from shares of stock to be issued pursuant to any award a number of shares with an aggregate fair market value (as of the date the withholding is effected) that would satisfy such withholding amount, or (ii) transferring to the Company shares of stock owned by the grantee with an aggregate fair market value (as of the date the withholding is effected) that would satisfy such withholding amount.

*Change of Control Provisions.* The 2018 Plan provides that, if there is a change in control of the Company that is approved by the Board of Directors, if the grantee has a minimum of six months of service and within six months of the consummation of the change of control, the grantee's employment is involuntarily terminated by us for reasons other than for "cause" or the grantee resigns for "good reason", 100% of such grantee's unvested awards will become vested and immediately exercisable. If, in connection with the change of control, awards granted under the 2018 Plan are cancelled or otherwise

terminated upon consummation of the change of control, then instead of accelerated vesting, the grantee will receive a cash payment for 100% of the value of his or her unvested awards (determined based on the price of our common stock at the time of consummation of the change of control). The foregoing is conditioned on the grantee's execution of an effective release of claims if the value of the accelerated vesting or cash payment exceeds \$25,000.

If there is a change of control that is not approved by the Board of Directors, all of the unvested awards under the 2018 Plan (regardless of the grant date) will become vested and immediately exercisable upon the change of control. Further, upon any change of control all outstanding awards held by non-employee directors will automatically become fully vested.

*Amendments and Termination.* The Board may at any time amend or discontinue the 2018 Plan, and the Human Capital and Compensation Committee may at any time amend or cancel any outstanding award for the purpose of satisfying changes in the law or for any other lawful purpose. However, no such action may adversely affect any rights under any outstanding award without the holder's consent. Any amendments that materially change the terms of the 2018 Plan, including any amendments that increase the number of shares reserved for issuance under the 2018 Plan, expand the types of awards available under the 2018 Plan, materially expand the eligibility to participate in the 2018 Plan, materially extend the term of the 2018 Plan, or materially change the method of determining the fair market value of common stock, will be subject to approval by shareholders. Amendments shall also be subject to approval by our shareholders if and to the extent determined by the Human Capital and Compensation Committee to be required by the Code to preserve the qualified status of incentive options. In addition, except in connection with a reorganization or other similar change in the capital stock of the Company or a merger or other transaction, without prior shareholder approval, the Committee may not reduce the exercise price of an outstanding stock option or stock appreciation right or effect repricing of an outstanding stock option or stock appreciation right through cancellation or re grants.

*No Repricing of Awards Without Stockholder Approval.* Notwithstanding any other provision of the 2018 Plan, the repricing of awards shall not be permitted without stockholder approval. For this purpose, a "repricing" means any of the following (or any other action that has the same effect as any of the following): (1) changing the terms of an award to lower its exercise or base price (other than on account of capital adjustments resulting from share splits, etc.); (2) any other action that is treated as a repricing under GAAP; and (3) repurchasing for cash or canceling an award in exchange for another award at a time when its exercise or base price is greater than the fair market value of the underlying share of stock, unless the cancellation and exchange occurs in connection with a capital adjustment event.

*Grantees Outside of the United States.* The Human Capital and Compensation Committee may modify the terms of any award under the 2018 Plan made to or held by a grantee who is then a resident, or is primarily employed or providing services, outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such award shall conform to laws, regulations, and customs of the country in which the grantee is then a resident or primarily employed or providing services, or so that the value and other benefits of the award to the grantee, as affected by non-U.S. tax laws and other restrictions applicable as a result of the grantee's residence, employment, or providing services abroad, shall be comparable to the value of such award to a grantee who is a resident, or is primarily employed or providing services, in the United States. An award may be modified in a manner that is inconsistent with the express terms of the 2018 Plan, so long as such modifications will not contravene any applicable law or regulation or result in actual liability under Section 16(b) of the Exchange Act for the grantee whose award is modified. Additionally, the Committee may adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the 2018 Plan by eligible persons who are non-U.S. nationals or are primarily employed or providing services outside the United States.

*Data Privacy.* As a condition of receipt of any award, each grantee explicitly and unambiguously consents to the collection, use, and transfer, in electronic or other form, of personal data by and among, as applicable, the Company and its affiliates for the exclusive purpose of implementing, administering, and managing the 2018 Plan and awards. The Company and its affiliates may hold certain personal information about a grantee, including, but not limited to, the grantee's name, home address, telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title(s), information regarding any securities of the Company or any of its affiliates, and details of all Awards (the "Data"). In addition to transferring the Data amongst themselves as necessary for the purpose of implementation, administration, and management of the 2018 Plan and awards, the Company and its affiliates may each transfer the Data to any third parties assisting the Company in the implementation, administration, and management of the 2018 Plan and awards. Recipients of the Data may be located in the grantee's country or elsewhere, and the grantee's country and any given recipient's country may have different data privacy laws and protections. The Company may cancel the grantee's eligibility to participate in the 2018 Plan, and in the Committee's discretion, the grantee may forfeit any outstanding awards if the grantee refuses or withdraws the consents described above.

## U.S. Federal Income Tax Considerations

Awards of restricted stock under the 2018 Plan generally are not subject to federal income tax when awarded, unless the participant properly elects to accelerate the tax recognition. Restricted stock is generally subject to ordinary income tax at the time the restrictions lapse. We are entitled to a corresponding deduction at the time the participant recognizes taxable income on the restricted stock.

Stock options under the 2018 Plan may either be granted as incentive stock options, which are intended to comply with the requirements of Internal Revenue Code Section 422 or as non-qualified stock options. Generally, no federal income tax is

payable by the recipient upon the grant of an incentive stock option and no deduction is taken by us. If certain holding periods are met, the exercise of an incentive stock option does not result in taxation to the recipient; rather, the recipient is taxed only at the time of sale. If the shares have been held for at least one year after the date of exercise and at least two years from the date of grant of the option, the recipient will be taxed on any appreciation in excess of the exercise price as long-term capital gains. In that event, we are not entitled to a deduction for the amount of the capital gains. Under current tax laws, if a recipient exercises a non-qualified stock option, the recipient will be taxed on the difference between the fair market value of the stock on the exercise date and the exercise price and, thereafter, the recipient would receive capital gains on any appreciation in stock value after the exercise date, depending upon the length of time the recipient held the stock after exercise. When the option is exercised, we will be entitled to a corresponding tax deduction.

## New Plan Benefits

It is not possible to state the persons who will receive options or awards under the 2018 Plan in the future or the amount of options or awards that will be granted under the 2018 Plan. The following table provides information with respect to the value of annual long-term incentive ("LTI") awards for fiscal 2022, excluding the value of special LTI awards granted to employees in February 2022.

Name and Position	Restricted Stock	
	Dollar Value <sup>(1)</sup>	Number of Shares <sup>(2)</sup>
Mark Aslett, <i>President and Chief Executive Officer</i>	\$ 4,300,000	67,188
Michael D. Ruppert, <i>EVP, Chief Financial Officer and Treasurer</i>	1,430,000	22,344
Thomas Huber, <i>EVP and Chief Transformation Officer</i>	2,000,000	31,250
James M. Stevison, <i>EVP and Chief Growth Officer</i>	1,600,000	25,000
Charles R. Wells, IV, <i>EVP and President of Microelectronics</i>	1,600,000	25,000
All named executive officers as a group	10,930,000	170,782
All non-employee directors as a group	1,935,918	30,249
Employees as a group (excluding named executive officers)	40,440,384	631,881

(1) Reflects the dollar value of all grants awarded in fiscal 2022, excluding the value of special LTI awards granted to employees in February 2022.

(2) Reflects the dollar value set forth in the table divided by the closing price of our common stock as reported on the Nasdaq Global Select Market on on July 1, 2022 (\$64.00 per share).

## Required Vote

Approval of the amended and restated 2018 Plan requires the affirmative FOR vote of a majority of the votes cast on the proposal. Unless marked to the contrary, proxies received will be voted FOR approval of the amended and restated 2018 Plan.

## Recommendation

**The Board of Directors recommends a vote FOR the amendment and restatement of the 2018 Plan.**



**PROPOSAL 4: RATIFICATION OF APPOINTMENT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors has appointed KPMG LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2023. We are asking shareholders to ratify this appointment. Although ratification by shareholders is not required by law or by our by-laws, the Audit Committee believes that submission of its selection to shareholders is a matter of good corporate governance. Even if the selection is ratified, the Audit Committee, in its discretion, may select a different independent registered public accounting firm at any time if the Audit Committee believes that such a change would be in the best interests of Mercury and our shareholders. If our shareholders do not ratify the selection of KPMG, the Audit Committee will take that fact into consideration, together with such other factors it deems relevant, in determining its next selection of an independent registered public accounting firm.

Representatives of KPMG will attend the annual meeting, where they will have the opportunity to make a statement if they wish to do so and will be available to answer appropriate questions from shareholders.

**Required Vote**

Approval of the ratification of the appointment of KPMG as our independent registered public accounting firm for fiscal 2023 requires the affirmative FOR vote of a majority of the votes cast on the proposal. Unless marked to the contrary, proxies received will be voted FOR approval of the ratification of the appointment.

**Recommendation**

**The Board of Directors recommends a vote FOR the ratification of the appointment of KPMG as our independent registered public accounting firm for fiscal 2023.**

## VOTING SECURITIES

### Who owns more than 5% of our stock?

On August 24, 2022, there were 57,778,675 shares of our common stock outstanding. On that date, to our knowledge, there were six shareholders who owned beneficially more than 5% of our common stock. The table below contains information, as of the dates noted below, regarding the beneficial ownership of these persons or entities. The "Percent of Class" was calculated using the number of shares of our common stock outstanding as of August 24, 2022. Unless otherwise indicated, we believe that each of the persons or entities listed below has sole voting and investment power with respect to all of the shares of common stock indicated.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
BlackRock, Inc. (1)	5,462,413	9.5%
The Vanguard Group, Inc. (2)	5,166,909	8.9
Starboard Value LP (3)	4,156,831	7.2
Conestoga Capital Advisors LLC (4)	3,662,721	6.3
William Blair Investment Management, LLC (5)	3,317,822	5.7
JANA Partners LLC (6)	3,235,880	5.6

- (1) Based on a Schedule 13G/A filed by Black Rock, Inc. with the SEC on February 1, 2022, reporting beneficial ownership as of December 31, 2021. The reporting entity's address is 55 East 52<sup>nd</sup> Street, New York, New York 10055.
- (2) Based on a Schedule 13G/A filed by Vanguard Group, Inc. with the SEC on February 10, 2022, reporting beneficial ownership as of December 31, 2021. The reporting entity's address is 100 Vanguard Boulevard, Malvern, PA 19355.
- (3) Based on a Schedule 13D/A filed by Starboard Value LP with the SEC on June 24, 2022, reporting beneficial ownership as of June 23, 2022. The reporting entity's address is 201 E. Las Olas Boulevard, Suite 1000, Fort Lauderdale, FL 33301.
- (4) Based on a Schedule 13G filed by Conestoga Capital Advisors LLC with the SEC on January 10, 2022, reporting beneficial ownership as of December 31, 2021. The reporting entity's address is 550 E. Swedesford Road, Suite 120, Wayne, PA 19087.
- (5) Based on a Schedule 13G/A filed by William Blair Investment Management, LLC with the SEC on February 10, 2022, reporting beneficial ownership as of December 31, 2021. The reporting entity's address is 150 North Riverside Plaza, Chicago, IL 60606.
- (6) Based on a Schedule 13D/A filed by JANA Partners LLC with the SEC on June 27, 2022, reporting beneficial ownership as of June 23, 2022. The reporting entity's address is 767 Fifth Avenue, 8th Floor, New York, New York 10153.

## How much stock does each of Mercury's directors and named executive officers own?

The following information is furnished as of August 24, 2022, with respect to common stock beneficially owned by: (1) our directors (including our CEO); (2) our CFO and the three most highly compensated executive officers other than the CEO and the CFO; and (3) all directors and executive officers as a group. Unless otherwise indicated, the individuals named below held sole voting and investment power over the shares listed.

	Number of Shares Beneficially Owned (1)	Percent of Class (1)
Mark Aslett (2)	528,143	**
William L. Ballhaus (3)	8,832	**
James K. Bass (4)	67,634	**
Orlando P. Carvalho (5)	8,596	**
Michael A. Daniels (6)	81,366	**
Lisa S. Disbrow (7)	15,384	**
Mary Louise Krakauer (8)	15,384	**
Howard L. Lance (9)	8,767	**
Barry R. Nearhos (10)	12,013	**
William K. O'Brien (11)	63,115	**
Deborah A. Plunkett (12)	4,524	**
Thomas Huber (13)	70,119	**
Michael D. Ruppert (14)	205,401	**
James M. Stevison (15)	61,272	**
Charles R. Wells, IV (16)	61,416	**
All directors and executive officers as a group (15 persons) (17)	1,211,696	2.1 %

\* The address for each director and executive officer is c/o Mercury Systems, Inc., 50 Minuteman Road, Andover, Massachusetts 01810.

\*\* Less than 1.0%.

- (1) The number and percent of the shares of common stock with respect to each beneficial owner are calculated by assuming that all shares which may be acquired by such person within 60 days of August 24, 2022 are outstanding.
- (2) Includes (a) 208,428 shares owned by Mr. Aslett individually; (b) 319,368 restricted shares awarded to Mr. Aslett under our stock-based plans (as to which Mr. Aslett has sole voting power, but which are subject to restrictions on transfer); and (c) 77 shares owned indirectly by Mr. Aslett through the company stock fund in our 401(k) plan.
- (3) Includes (a) 5,065 shares owned by Mr. Ballhaus individually; and (b) 3,767 restricted shares awarded to Mr. Ballhaus under our stock-based plans (as to which Mr. Ballhaus has sole voting power, but which are subject to restrictions on transfer).
- (4) Includes (a) 64,116 shares owned by Mr. Bass individually; and (b) 3,518 restricted shares awarded to Mr. Bass under our stock-based plans (as to which Mr. Bass has sole voting power, but which are subject to restrictions on transfer).
- (5) Includes (a) 5,078 shares owned by Mr. Carvalho individually; and (b) 3,518 restricted shares awarded to Mr. Carvalho under our stock-based plans (as to which Mr. Carvalho has sole voting power, but which are subject to restrictions on transfer).
- (6) Includes (a) 77,848 shares owned by Mr. Daniels individually; and (b) 3,518 restricted shares awarded to Mr. Daniels under our stock-based plans (as to which Mr. Daniels has sole voting power, but which are subject to restrictions on transfer).
- (7) Includes (a) 11,866 shares owned by Ms. Disbrow individually; and (b) 3,518 restricted shares awarded to Ms. Disbrow under our stock-based plans (as to which Ms. Disbrow has sole voting power, but which are subject to restrictions on transfer).
- (8) Includes (a) 11,866 shares owned by Ms. Krakauer individually; and (b) 3,518 restricted shares awarded to Ms. Krakauer under our stock-based plans (as to which Ms. Krakauer has sole voting power, but which are subject to restrictions on transfer).

- (9) Includes (a) 5,000 shares owned by Mr. Lance individually; and (b) 3,767 restricted shares awarded to Mr. Lance under our stock-based plans (as to which Mr. Lance has sole voting power, but which are subject to restrictions on transfer).
- (10) Includes (a) 8,495 shares owned by Mr. Nearhos individually; and (b) 3,518 restricted shares awarded to Mr. Nearhos under our stock-based plans (as to which Mr. Nearhos has sole voting power, but which are subject to restrictions on transfer).
- (11) Includes (a) 5,606 shares owned by Mr. O'Brien individually; (b) 53,991 shares owned by family trusts controlled by Mr. O'Brien; and (c) 3,518 restricted shares awarded to Mr. O'Brien under our stock-based plans (as to which Mr. O'Brien has sole voting power, but which are subject to restrictions on transfer).
- (12) Includes 4,524 restricted shares awarded to Ms. Plunkett under our stock-based plans (as to which Ms. Plunkett has sole voting power, but which are subject to restrictions on transfer).
- (13) Includes (a) 70,039 restricted shares awarded to Mr. Huber under our stock-based plans (as to which Mr. Huber has sole voting power, but which are subject to restrictions on transfer); and (b) 80 shares owned indirectly by Mr. Huber through the company stock fund in our 401(k) plan.
- (14) Includes (a) 105,944 shares owned by Mr. Ruppert individually; (b) 99,377 restricted shares awarded to Mr. Ruppert under our stock-based plans (as to which Mr. Ruppert has sole voting power, but which are subject to restrictions on transfer); and (c) 80 shares owned indirectly by Mr. Ruppert through the company stock fund in our 401(k) plan.
- (15) Includes (a) 61,192 restricted shares awarded to Mr. Stevison under our stock-based plans (as to which Mr. Stevison has sole voting power, but which are subject to restrictions on transfer); and (b) 80 shares owned indirectly by Mr. Stevison through the company stock fund in our 401(k) plan.
- (16) Includes (a) 368 shares owned by Mr. Wells individually; (b) 60,968 restricted shares awarded to Mr. Wells under our stock-based plans (as to which Mr. Wells has sole voting power, but which are subject to restrictions on transfer); and (c) 80 shares owned indirectly by Mr. Wells through the company stock fund in our 401(k) plan.
- (17) Includes (a) 563,492 shares owned by directors and executive officers individually or by family trusts controlled by directors individually; (b) 647,628 restricted shares awarded to the directors and executive officers under our stock-based plans (as to which each has sole voting power, but which are subject to restrictions on transfer); and (c) 397 shares owned indirectly by executive officers through the company stock fund in our 401(k) plan.

## EXECUTIVE OFFICERS

### Who are Mercury's executive officers?

The following persons are our executive officers:

Name	Age	Position
Mark Aslett	54	President and Chief Executive Officer
Christopher C. Cambria	64	Executive Vice President, General Counsel and Secretary
Thomas Huber	45	Executive Vice President and Chief Transformation Officer
Brian E. Perry	55	Executive Vice President and President of Processing
Michael D. Ruppert	48	Executive Vice President, Chief Financial Officer, and Treasurer
James M. Stevison	56	Executive Vice President and Chief Growth Officer
Charles R. Wells, IV	50	Executive Vice President and President of Microelectronics

Our executive officers are appointed to office by the Board of Directors at the first board meeting following the Annual Meeting of Shareholders or at other board meetings as appropriate, and hold office until the first board meeting following the next Annual Meeting of Shareholders and until a successor is chosen, subject to prior death, resignation or removal.

Information regarding our executive officers as of the date of filing of this proxy statement is presented below.



### Mark Aslett

Mark Aslett joined Mercury in 2007 and has served as the President and Chief Executive Officer and as a member of the Board since 2007. Prior to joining Mercury, he was Chief Operating Officer and Chief Executive Officer of Enterasys Networks from 2003 to 2006, and held various positions with Marconi plc and its affiliated companies, including Executive Vice President of Marketing, Vice President of Portfolio Management, and President of Marconi Communications-North America, from 1998 to 2002. Mr. Aslett has also held positions at GEC Plessey Telecommunications, as well as other telecommunications-related technology firms.



### Christopher C. Cambria

Christopher C. Cambria joined Mercury in 2016 as Senior Vice President, General Counsel, and Secretary and was appointed Executive Vice President, General Counsel, and Secretary in 2017. Prior to joining Mercury, he was Vice President, General Counsel, and Secretary of Aerojet Rocketdyne Holdings, Inc. from 2012 to 2016 and Vice President, General Counsel from 2011 to 2012. He was with L-3 Communications Holdings, Inc. from 1997 through 2009 serving as Senior Vice President and Senior Counsel, Mergers and Acquisitions from 2006 to 2009, Senior Vice President, Secretary and General Counsel from 2001 to 2006, and Vice President, General Counsel and Secretary from 1997 to 2001. Prior to L-3, Mr. Cambria was an Associate with Fried, Frank, Harris, Shriver & Jacobson and Cravath, Swaine & Moore.



### Thomas Huber

Thomas Huber joined Mercury in September 2021 as Executive Vice President, Chief Transformation Officer. Prior to joining Mercury, Mr. Huber was a Managing Director and Partner at the Boston Consulting Group from 2019 to September 2021, serving as a core member of their transformation and operations practice areas. Mr. Huber was a Managing Director and Partner at Bain & Company, working with clients in strategy, operations, and M&A from 2010 to 2018.



## **Brian E. Perry**

Brian E. Perry joined Mercury in 2008 and has served as our Executive Vice President, President, Processing division since August 2021. He served as Senior Vice President of our Processing division starting in July 2020. Prior to that, he was President of our Mercury Defense Systems business unit starting in 2014 and Vice President and General Manager of our Services and Systems Integration group from 2011 to 2014. Prior to joining Mercury, Mr. Perry was the General Manager for Suntron Corporation's Northeast Express and served in various roles with Lockheed Martin and General Electric Aircraft Engines.



## **Michael D. Ruppert**

Michael D. Ruppert joined Mercury in 2014 as Senior Vice President, Strategy and Corporate Development and in 2017 was named Executive Vice President, Strategy and Corporate Development. In 2018 Mr. Ruppert was appointed the Company's Executive Vice President, Chief Financial Officer and Treasurer. Prior to joining Mercury, from 2013 to 2014, Mr. Ruppert was Co-Founder and Managing Partner of RS Partners, LLC, a boutique advisory firm focused on the aerospace & defense industries. Prior to that, he was a Managing Director at UBS Investment Bank where he led the defense investment banking practice from 2011 to 2013. Mr. Ruppert also held positions in the investment banking divisions at Lazard Freres & Co from 2008 to 2011 and at Lehman Brothers from 2000 to 2008.



## **James M. Stevison**

James M. Stevison joined Mercury in October 2021 as its Executive Vice President and Chief Growth Officer. Dr. Stevison brings to Mercury more than 16 years of global experience in the aerospace and defense industry. Prior to joining Mercury, he was Vice President of Strategy for Raytheon Missiles & Defense. In that role, he led comprehensive business strategy, portfolio shaping, and evaluating investment opportunities to further advance the Raytheon Missiles & Defense portfolio. He also served as Vice President of Strategic and Naval Systems at Raytheon Missiles Systems. Prior to that, he was the director of the SM-3® program, where he was responsible for all variants of the SM-3® missile portfolio, both domestically and internationally. Dr. Stevison has previously held senior leadership roles at Lockheed Martin and at Miltec Systems, a Ducommun Company. A U.S. Army veteran, Dr. Stevison retired from the Army in 2005, following an accomplished 20-year military career that included leadership roles with the Missile Defense Agency and the U.S. Army Aviation and Missile Command.



## **Charles R. Wells, IV**

Charles R. Wells, IV joined Mercury in November 2021 as its Executive Vice President and President of Mercury's Microelectronics Division. Mr. Wells has more than 25 years' experience across multiple disciplines including engineering, business development, program management, and executive management. Previously, he served as Vice President and General Manager for the Unmanned & Integrated Solutions Business Unit of Teledyne FLIR with full P&L responsibility while ensuring high levels of product quality and customer satisfaction. Earlier in his career, he worked as a Department of Defense civilian supporting the development and fielding of world-wide C4ISR networks and information systems. He also held positions in Northrop Grumman and ICX Technologies and served as a private consultant for large aerospace and defense companies.

## COMPENSATION DISCUSSION AND ANALYSIS

### EXECUTIVE SUMMARY

This Compensation Discussion and Analysis describes our executive compensation program for our 2022 fiscal year. This section details the compensation framework applied by the Human Capital and Compensation Committee of our Board of Directors (the "Committee") in determining the pay levels and programs available to our named executive officers for whom compensation is disclosed in the compensation tables included in the Tabular Executive Compensation Disclosure section of this proxy statement beginning on page 56. Our named executive officers for our 2022 fiscal year are:

Name	Position
Mark Aslett	President and Chief Executive Officer
Michael D. Ruppert	Executive Vice President, Chief Financial Officer and Treasurer
Thomas Huber	Executive Vice President and Chief Transformation Officer
James M. Stevison	Executive Vice President and Chief Growth Officer
Charles R. Wells, IV	Executive Vice President and President of Microelectronics Division

Our executive compensation programs are designed to attract and retain critical executive talent, to motivate behaviors that align with stockholders' interests and to link payouts with our performance. As described below:

- For fiscal 2022, target pay for our CEO individually, and for all of our named executive officers collectively, falls within a competitive range of 85% to 115% of peer median target pay levels.
- Our pay mix strongly supports the Company's pay-for-performance culture. For fiscal 2022, 87% of the Chief Executive Officer's target pay was in the form of variable pay that is subject to future performance.
- We delivered solid financial performance for fiscal 2022 despite a challenging business environment, resulting in our total shareholder return for fiscal 2022 approximating the 85th percentile of our peers.
- Payouts under our annual- and long-term compensation programs reflected our absolute and relative performance for periods ending in fiscal 2022. Our performance for fiscal 2022 was below our annual incentive plan targets, resulting in payouts at 89.59% of executives' target bonuses. Our overall three-year performance exceeded the 70th percentile of peer company achievements, resulting in performance stock award payouts at 199.9% of target.
- In February 2022, as part of a broad equity retention plan that covered our executives and over 100 additional leaders at our company, we accelerated the grant of long-term incentive awards that would have otherwise been made in August 2022 and granted additional special awards on a one-time basis to promote continuity of leadership, strategy and execution in connection with the reorganization of our operating structure against a backdrop of emerging industry and labor market challenges. These awards are a key element in our ongoing efforts to build on Mercury's strong foundation and drive the next phase of value creation at greater scale. The awards are intended to ensure that leaders across our organization remain focused on advancing our strategy, while at the same time supporting the retention of our key leaders at a critical junction in our transformation. Half of the long-term incentives granted to the named executive officers under this plan were in the form of performance stock awards, which are contingent upon future performance to have any realized value.
- For fiscal 2023, no additional long-term incentives have been, or are expected to be, granted to our named executive officers. In addition, the Committee determined to make no changes to the base salaries and target bonuses of our named executive officers. The Committee also adopted a new annual incentive plan design for fiscal 2023 that emphasizes an expanded set of performance measures that we believe to be further aligned with the creation of long-term shareholder value: adjusted EBITDA (weighted 50%), revenue (25%) and adjusted free cash flow (25%). The Committee intends to perform a similar review of our long-term incentive plan design for fiscal 2024, and to then review annual grants of long-term incentives for named executive officers during fiscal 2024 consistent with past practice.

### Company Background

Mercury is a technology company that delivers commercial innovation to rapidly transform the global aerospace and defense industry. Our end-to-end processing platform enables a broad range of aerospace and defense programs, optimized for mission success in some of the most challenging and demanding environments. Processing technologies that comprise our platform

include signal solutions, display, software applications, networking, storage and secure processing. As a leading manufacturer of essential components, products, modules and subsystems, we sell to defense prime contractors, the U.S. government and original equipment manufacturers (OEM) commercial aerospace companies. Our products and solutions are deployed in more than 300 programs with over 25 different defense prime contractors and commercial aviation customers.

## **2022 Operating Environment and Performance Achievements**

**Operating Environment.** For fiscal year 2022, we continued to encounter a challenging business environment. Our performance was primarily influenced by the following factors:

- U.S. Government spending for our products and services was adversely affected by an extended continuing resolution, which, while in effect, limited government funding to prior-year levels and delayed awards in respect of new government programs.
- Supply chain volatility — led by long lead times for high-end semiconductors and delayed supplier deliveries or "decommitments" — adversely affected the timing of our revenues and cash management.
- We experienced considerable price inflation in our costs for materials, which adversely affected our business.
- The challenging labor market led to unprecedented attrition and competition for top talent.

**Performance Achievements.** Despite the challenging industry, labor and economic environment, Mercury delivered solid financial performance for fiscal 2022, highlighted by the following items:

- Our fiscal 2022 revenues increased by 6.9% to \$988.2 million, compared to \$924.0 million for fiscal 2021. Our fiscal 2022 results included organic revenue of \$870.4 million, a decrease of 5% from fiscal 2021.
- Our bookings increased by 21% from \$881.2 million in fiscal 2021 to \$1,063.1 million in fiscal 2022. Our book-to-bill ratio increased from 0.95x in fiscal 2021 to 1.08x in fiscal 2022.
- Our net income for fiscal 2022 was \$11.3 million, compared to \$62.0 million for fiscal 2021. Our adjusted EBITDA for fiscal 2022 was \$200.5 million, remaining relatively flat compared to \$201.9 million for fiscal 2021. The adjusted EBITDA results discussed in this paragraph are subject to the adjustments set forth in "Appendix B: Reconciliation of Non-GAAP Measures to GAAP Measures."
- We completed the acquisitions of Avalex and Atlanta Micro, which expanded our content and capabilities in both open mission systems and trusted microelectronics.
- Our total shareholder return ("TSR") for fiscal 2022 approximated the 85th percentile of the peer group used to measure our relative performance under long-term incentives awarded in fiscal 2022.

## **Compensation Philosophy, 2022 Target Pay and 2022 Incentive Plan Payouts**

**Compensation Philosophy.** Our compensation philosophy is designed to promote a pay-for-performance culture. We consider market median compensation levels as our reference point in making executive pay decisions, subject to adjustments based on experience, performance, the other individual factors as described in "– Use of Market Data and Competitive Compensation Positioning" beginning on page 45 and as otherwise appropriate. The majority of each executive's target pay is in the form of incentive compensation that is subject to future performance to have any realized value. See the information in "– Mix of Pay" on page 45.

**2022 Target Pay.** The table below details each named executive officer's annual base salary, target annual incentive opportunity ("target bonus") and grant date target value of annual long-term incentive awards (collectively, "target pay") established by the Committee (and in the case of our Chief Executive Officer, ratified by our Board) for fiscal 2022.



	Salary	Target Bonus as % of Salary	Annual Long-Term Incentive Awards (1)	Target Pay
Mark Aslett	800,060	150%	4,300,000	6,300,150
Michael D. Ruppert	446,351	110%	1,430,000	2,367,337
Thomas Huber	425,000	100%	830,000	1,680,000
James M. Stevison	425,000	100%	796,000	1,646,000
Charles R. Wells, IV	415,000	100%	830,000	1,660,000

(1) The table above is intended to reflect each executive's ordinary compensation for fiscal 2022, and accordingly excludes the value of special long-term incentive ("LTI") awards granted to the named executive officers in February 2022 under an equity retention plan approved by our Board of Directors. In addition, the table excludes the value of "new-hire" awards granted to Messrs. Huber, Stevison and Wells in connection with their commencement of employment during fiscal 2022 because these awards were intended, in part, to restore compensation forfeited with a prior employer as an incentive to join our company. In lieu of these new-hire awards, the table includes the value established by the Committee for each such executive in fiscal 2022 as the basis for future annual LTI awards. For a further discussion of the special awards discussed in this paragraph, see "— Equity Retention Plan Awards" beginning on page 51 and "— Offer Letters with Named Executive Officers" beginning on page 51.

For fiscal 2022, target pay for our CEO individually, and for all of our named executive officers collectively, falls within a competitive range of 85% to 115% of peer median target pay levels. For a further discussion, see "— Use of Market Data and Competitive Compensation Positioning" beginning on page 45.

**2022 Incentive Plan Payouts.** Payouts under our annual incentive plan and our long-term incentive plan performance awards are subject to the achievement of pre-established targets.

With respect to our annual incentive plan, our financial performance achievements for fiscal 2022 were above threshold requirements but below our plan targets, which are based on adjusted EBITDA. Accordingly, aggregate plan payouts to our named executive officers for fiscal 2022 represented 89.59% of their respective target bonuses. For a further discussion, see "— Elements of 2022 Target Pay – Annual Incentives" beginning on page 48.

For our long-term performance awards whose performance periods end with fiscal 2022, our performance relative to our peers approximated the 57th percentile for adjusted EBITDA margin and the 86th percentile for revenue growth, resulting in performance stock award payouts at 199.9% of target. For a further discussion, see "— Payout of Performance Stock Awards for the 2020-2022 Award Cycle" on page 52.

### Special LTI Awards Granted Under Equity Retention Plan

On February 7, 2022, our Board of Directors approved an equity retention plan (the "ERP") for our executives and over 100 additional leaders whose continuing efforts were determined to be critical to our success, including our named executive officers. The Board approved the ERP to promote continuity of leadership, strategy and execution in connection with the reorganization of our operating structure. The ERP is a key element in our ongoing efforts to build on Mercury's strong foundation and drive the next phase of value creation at greater scale. The ERP is intended to ensure that leaders across our organization remain focused on advancing our strategy, while at the same time supporting the retention of our key leaders at a critical junction in our transformation.

Under the ERP, all participants, including our named executive officers, were granted their annual equity awards for fiscal 2023 on February 15, 2022, in lieu of the grants that they would have otherwise received in August 2022. Additional one-time awards were granted under the ERP to support retention and further motivate achievement of our long-term, strategic goals in light of the macroeconomic conditions underlying the adoption of the ERP. The value of these additional retention grants varies among different ERP participants, and ranges from 1x to 2x of each participant's annual long-term incentive compensation. For a further discussion, see "— Equity Retention Plan Awards" beginning on page 51.

Consistent with annual our long-term incentive award mix, half of the long-term incentives granted to the named executive officers were in the form of performance stock awards, which are contingent upon future performance to have any realized value, and half were granted in the form of restricted stock awards. No additional long-term incentive awards will be issued to the named executive officers in fiscal 2023.

## 2023 Target Pay

For fiscal 2023, the Committee determined to make no changes to the base salaries and target bonuses of our named executive officers, nor did it grant them any long-term incentives beyond those previously granted for fiscal 2023 as part of the ERP. To further align our annual incentive program with our long-term growth strategy, the Committee adopted a new annual incentive plan design for fiscal 2023 that emphasizes an expanded set of performance measures tied to the creation of long-term shareholder value: adjusted EBITDA (weighted 50%), revenue (25%) and adjusted free cash flow (25%). The Committee intends to perform a similar review of our long-term incentive plan design for fiscal 2024, and to then review annual grants of long-term incentives for named executive officers during fiscal 2024 consistent with past practice.

## SHAREHOLDER ENGAGEMENT AND 2021 ADVISORY VOTE ON EXECUTIVE COMPENSATION ("SAY-ON-PAY")

As part of our ongoing Board-led shareholder engagement program, we requested and/or had dialogues with a cross section of shareholders representing approximately 74% of our outstanding shares since our 2021 annual shareholders meeting. Our regular discussions with shareholders, proxy advisory firms and other stakeholders enable our Board to consider a broad range of viewpoints in boardroom discussions, including with respect to executive compensation. In particular, our new annual incentive plan design for fiscal 2023 incorporates feedback provided by shareholders over the past year, and has been well received by shareholders in our ongoing engagement discussions.

At our 2021 annual shareholders meeting, approximately 98.5% of the votes cast on our Say-On-Pay proposal were voted in favor of the compensation paid to our named executive officers for fiscal 2021. We believe that this strong level of shareholder support demonstrates, among other things, that our executive compensation philosophy, designs and determinations are well aligned with shareholder interests. The Committee considers the outcome of Say-On-Pay votes and other shareholder input in making decisions regarding the executive compensation program.

## SOUND PAY PRACTICES

The Committee believes that Mercury's executive compensation program reinforces our pay-for-performance culture and includes corporate governance practices that are considered by investors to reflect market "best practices." The table below highlights key features of our executive compensation program.

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### Executive Compensation Program Features

#### **Executive Compensation Program Includes**

- Emphasis on long-term, performance-based compensation and meaningful stock ownership guidelines to align executive and shareholder interests
- Transparent, formulaic incentive plans designed to promote short- and long-term business success
- Clawback policy that applies to all incentive compensation, including stock-based awards
- Limited perquisites consistent with competitive practices
- Double trigger provisions for accelerated equity vesting and cash severance payable in connection with a change in control
- Periodic compensation risk assessments to ensure program does not encourage excessive risk-taking

#### **Executive Compensation Program Does not Include or Prohibits**

- Excise tax gross-ups on severance/change in control payments
  - Repricing of stock options or other stock-based awards without shareholder approval
  - Excessive severance or change in control provisions
  - Hedging or pledging of company stock by executives, employees and non-employee directors
-

## PROGRAM OVERVIEW

The table below outlines the principal elements of our executive compensation program. Detailed descriptions of each element of compensation and discussion of how the Committee determined compensation levels for fiscal 2022 can be found in the section "— Elements of Fiscal 2022 Target Pay" beginning of page 47.

Compensation Program Design					
Compensation Plan	Annual Pay Element	Performance Period	Performance Measures	Payout Range (vs. Target)	Fiscal 2022 Highlights
—	Base Salary	—	—	—	—
Annual Incentive Plan	Cash Bonus	Semi-Annual	Adjusted EBITDA	0% to 150%	<ul style="list-style-type: none"> <li>Maximum bonus opportunity reduced to 100% of target to reflect increased volatility of potential performance results in light of the challenging industry, labor and economic environment</li> </ul>
Long-Term Incentive Plan	Restricted Stock Awards (50%)	Three Years with Annual Vesting	—	—	<ul style="list-style-type: none"> <li>Equity retention plan awards granted in February 2022 to mitigate challenging industry and labor market environment</li> </ul>
	Performance Stock Awards (50%)	Three Years	Relative EBITDA Margin (50%)	0% to 300%	
			Relative Revenue Growth (50%)		

## DETERMINING EXECUTIVE COMPENSATION

### Role of the Compensation Committee

Our executive compensation program is administered by the Committee. The Committee is primarily responsible for the review and approval of compensation for all of our executive officers. Compensation for our Chief Executive Officer is further subject to ratification by a majority of the independent directors on the Board. For a further discussion of the Committee's key areas of responsibility, see "Corporate Governance — What committees has the Board established? — Human Capital and Compensation Committee" beginning on page 19.

### Role of Management and the Chief Executive Officer

Our human resources, finance and legal departments assist the Committee in the design and development of competitive compensation programs by providing data and analyses to the Committee and Mercer, the Committee's independent compensation consultant, in order to ensure that our programs and incentives align with and support our business strategy. Management also recommends incentive plan metrics, performance targets and other plan objectives to be achieved, based on expected Company performance and subject to Committee approval.

In connection with setting compensation for fiscal 2022, the Chief Executive Officer reviewed the performance of the other executive officers of the Company and submitted recommendations to the Committee for proposed base salary adjustments, target bonuses and grant date target values for annual long-term incentive awards. The Chief Executive Officer had no role in determining his own compensation. Except as described above, no other executive officer participated in the setting of his or her own compensation or the compensation of any other executive officer.

## Role of the Compensation Consultant

The Committee has the sole authority to select, retain, terminate and approve the fees payable to outside consultants to provide it with advice on various aspects of executive compensation design and delivery. The Committee has retained Mercer to advise the Committee on executive and non-employee director compensation generally. In the course of conducting its activities for the Committee during fiscal 2022, representatives of Mercer attended meetings of the Committee and presented findings and recommendations to the Committee for discussion. Representatives of Mercer also met with management to obtain and validate data and review materials. The Committee's expenditures for Mercer were \$451,839 for fiscal 2022.

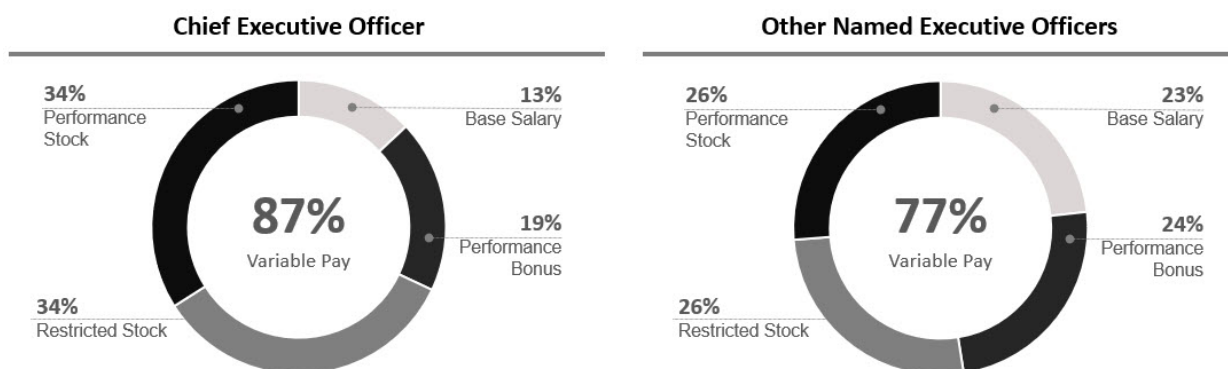
In addition to its work for the Committee, Mercer may assist management in analyzing the compensation of our non-executive employees or by providing other services that are unrelated to the work performed by Mercer for the Committee. Our human resources department incurred \$139,674 in fiscal 2022 with Mercer to provide the services of a chief medical advisor for COVID-related planning, due diligence services for M&A pursuits and support on long-term incentive valuations.

In April of 2022, the Committee evaluated whether any work performed by Mercer raised any conflict of interest and determined that it did not.

## MIX OF PAY

The Committee believes that Mercury's pay mix strongly supports the Company's pay-for-performance culture. For fiscal 2022, 87% of the Chief Executive Officer's target pay was in the form of variable pay that subject to future performance. Base salary is the only element of target pay that does not fluctuate based on future performance. As illustrated below, the mix of incentive compensation for our named executive officers is balanced to avoid the risk of emphasizing short-term gains at the expense of long-term performance. The emphasis on long-term incentives demonstrates our strong commitment to the alignment of management and shareholder interests over time.

### Target Pay Mix for Fiscal Year 2022\*



\* For a further discussion of the amounts underlying our named executive officers' target pay for fiscal year 2022, see "Executive Summary — Compensation Philosophy, 2022 Target Pay and 2022 Incentive Plan Payouts — 2022 Target Pay" beginning on page 41.

## USE OF MARKET DATA AND COMPETITIVE COMPENSATION POSITIONING

### Compensation Peer Groups

The Committee believes that Mercury's success is dependent upon its ability to continue to attract and retain high-performing executives. To ensure the comparability of our executive compensation practices and pay levels, the Committee has historically monitored executive pay at selected technology, aerospace and defense, and other industrial companies ("peers") with whom Mercury competes for business, executive talent or investor capital. The Committee evaluates each peer on an annual basis to determine its continued suitability from a pay benchmarking perspective. The selection criteria examined include:

- **Operational Fit:** companies in the same or similar industries with a comparable business model, mix and client base.

- **Financial Scope:** companies of similar size as measured by annual corporate revenues. In connection with the benchmarking of target pay in fiscal 2022, the Company approved the use of two compensation peer groups differentiated by financial scope.
  - The "Primary Peer Group" consists of peers that generally fall within a range of one-half to two times the size of Mercury (targeted at approximately \$1 billion in annual revenues).
  - The "Reference Peer Group" consists of peers that generally fall within a range of one-half to two times of a target value that is double the size of Mercury (targeted at approximately \$2 billion in annual revenues).

The primary peer group is used as the principal group of peer companies used to benchmark executive pay levels and practices, and to assess Mercury's relative performance achievements under long-term incentive awards. The reference peer group is used as a supplemental reference in considering appropriate pay levels in light of Mercury's strong historical rate of growth and the need for Mercury to attract top talent suitable for Mercury's next stage of growth. As noted in "— Competitive Market Positioning" on page 47, the fiscal 2022 target pay of our Chief Executive Officer individually, and of all of our named executive officers collectively, fell within a competitive range of median with respect to both peer groups.

The table below shows the composition of our *primary* peer group that was established by the Committee in January 2021 for use in benchmarking target pay levels at the end of fiscal 2021 and in connection with making target pay decisions for fiscal 2022.

Primary Peer Group for Fiscal 2022		
Astronics Corporation	FLIR Systems, Inc.	MKS Instruments, Inc.
Belden Inc.	HEICO Corporation	NETGEAR, Inc.
Brooks Automation, Inc.	II-VI Incorporated	NetScout Systems, Inc.
Cognex Corporation	Infinera Corporation	Novanta Inc.
Comtech Telecommunications Corp.	iRobot Corporation	OSI Systems, Inc.
Diodes Incorporated	Kratos Defense & Security Solutions, Inc.	Ribbon Communications Inc.
Ducommun Incorporated	Methode Electronics, Inc.	Rogers Corporation

As compared to the primary peer group used to benchmark target pay for fiscal 2021, the Committee replaced three companies in the group (removing ADTRAN, Inc., CTS Corp., and M/A-COM Technology Solutions Holdings, Inc., and adding Belden Inc., FLIR Systems, Inc., and HEICO Corporation) to reflect the increased target size of the group (consistent with Mercury's expected revenues for fiscal 2022) from \$750 million to \$1 billion.

The table below shows the composition of our *reference* peer group that was established by the Committee in January 2021 for use as a supplemental reference in considering appropriate pay levels at the end of fiscal 2021, and in connection with making target pay decisions for fiscal 2022.

Reference Peer Group for Fiscal 2022		
Belden Inc.	Infinera Corporation	OSI Systems, Inc.
Curtis-Wright Corporation	Keysight Technologies, Inc.	Rogers Corporation
Diodes Incorporated	Maxar Technologies Inc.	Teledyne Technologies Incorporated
FLIR Systems, Inc.	Methode Electronics, Inc.	Teradyne, Inc.
HEICO Corporation	MKS Instruments, Inc.	TTM Technologies, Inc.
Hexcel Corporation	Moog Inc.	Viasat, Inc.
II-VI Incorporated	NetScout Systems, Inc.	

As compared to the reference peer group used to benchmark target pay for fiscal 2021, the Committee replaced four companies from the group (removing Astronics Corporation, AVX Corporation, Cognex Corporation and Kratos Defense & Security Solutions, Inc., and adding Keysight Technologies, Inc., Maxar Technologies Inc., TTM Technologies, Inc. and Viasat, Inc.) to reflect the increased target size of the group (consistent with an amount that is double Mercury's expected revenues for fiscal 2022) from \$1.5 billion to \$2 billion, and the acquisition of AVX Corporation by Kyocera Corp. in March 2020.

The Committee subsequently met in January 2022 to consider whether any changes should be made to the above compensation peer groups in connection with benchmarking target pay levels at the end of fiscal 2022, and in connection with making target pay decisions for fiscal 2023. At that time, the Committee determined to remove Brooks Automation from the primary peer group and FLIR Systems from both peer groups because they had completed recent mergers and dispositions activities that rendered them no longer suitable for these groups.

### Use of Market Data

In reviewing competitive compensation levels for fiscal 2022, the Committee considered compensation peer group data for all named executive officers other than Messrs. Huber and Steverson. The Committee did not utilize compensation peer group data for Messrs. Huber and Steverson (who served during fiscal 2022 as our Chief Transformation Officer and our Chief Growth Officer, respectively) due to the limited number of benchmarking matches for their positions within the compensation peer groups. Instead, the Committee used survey data from the Radford Global Technology Survey (the "Survey Data") for this purpose. For Mr. Wells (who served as President of our Microelectronics division in fiscal 2022), the Committee considered competitive compensation levels based on the average of the compensation peer group data and the Survey Data because it believed that including a broader survey group more accurately reflects the labor market for division presidents and ensures a meaningful sample size given the revenues of the division led by Mr. Wells. The Survey Data utilized for Messrs. Huber, Steverson and Wells was size adjusted by Mercer to reflect the annual revenues of the Company and of our Microelectronics division, as applicable, and for the benchmarking conducted in June 2022, was aged to approximate that time.

### Competitive Market Positioning

The Committee's practice is to make pay decisions regarding the elements of compensation that compose each named executive officer's target pay (base salary, target bonus and grant date target value of long-term incentives) in July of each fiscal year, in light of benchmarking data reviewed at the end of the prior fiscal year. As part of its decision-making process, the Committee compares each named executive officer's target pay for the fiscal year against the market median; however, the Committee does not use market data in isolation in determining pay. Instead, competitive market data serves as one of many considerations used by the Committee in determining base salary adjustments and target pay opportunities for both annual and long-term incentives. The primary factors considered by the Committee in making its annual pay determinations is shown below.

Target Pay Determinants		
• Positioning to competitive market median	• Long-term financial and individual performance	• Role and responsibilities relative to benchmark
• Competitive mix of fixed and variable pay	• Tenure and experience in role	• Internal pay equity
• Competitive mix of cash and equity	• Expected future contributions and market conditions	• Prior year's compensation levels

Based on the most recent benchmarking conducted by the Committee in June 2022, the fiscal 2022 target pay of our Chief Executive Officer individually, and of all of our named executive officers collectively, fell within a competitive range of 85% to 115% of market median, including as separately derived using primary peer group data and reference peer group data. For a further discussion of the amounts underlying our named executive officers' target pay for fiscal year 2022, see "Executive Summary — Compensation Philosophy, 2022 Target Pay and 2022 Incentive Plan Payouts — 2022 Target Pay" beginning on page 41.

### ELEMENTS OF FISCAL 2022 TARGET PAY

#### Base Salary

Base salary serves as the foundation of an executive's compensation and is an important component in our ability to attract and retain executive talent. On an individual basis, the Committee considers each executive's role and responsibilities, experience, tenure, business results and individual performance, competitive market pay levels, and internal pay equity considerations in making base salary adjustments.

For fiscal 2022, the Committee approved (and in the case of Mr. Aslett, the Board ratified) base salary increases of 9.0% and 7.0% for Messrs. Aslett and Ruppert, respectively, primarily to maintain their positioning relative to market median levels. These base salary increases became effective as of the beginning of the second quarter of fiscal 2022.

The Committee approved new base salaries for Messrs. Huber, Stevison and Wells in connection with the commencement of their employment in fiscal 2022. For a further discussion, see "— Offer Letters with Named Executive Officers" beginning on page 51.

	Fiscal 2022 Base Salary*	Fiscal 2021 Base Salary*	Percent Change
Mark Aslett	800,060	734,000	9.0 %
Michael D. Ruppert	446,351	417,150	7.0 %
Thomas Huber	425,000	N/A	N/A
James M. Stevison	425,000	N/A	N/A
Charles R. Wells, IV	415,000	N/A	N/A

\* Reflects annualized base salary rates in effect as of the beginning of the second quarter of the fiscal years indicated or, in the case of Messrs. Huber, Stevison and Wells, as of their respective dates of hire.

### Annual Incentives

The annual incentive plan ("AIP") provides our executives with the opportunity to earn annual cash incentive awards based on their respective target bonuses and on company performance relative to pre-established goals.

#### Key Features of the Annual Incentive Plan

- Performance criteria defined at the beginning of each semi-annual performance period
- Performance compared to pre-established goals for adjusted EBITDA that are aligned with our strategic operating plan
- Payouts can range from 0% to 150% of target bonus based on performance
- The Committee retains discretion to adjust payouts, including in the event that calculated results under the plan do not appropriately reflect our overall performance for the year

### Target Bonuses for Fiscal 2022

AIP target bonuses are established at the beginning of each fiscal year for each named executive officer as a percentage of their base salary. For fiscal 2022, the target bonus for each of Messrs. Aslett and Ruppert, as a percentage for their respective base salaries, was held constant at fiscal 2021 levels. The Committee approved new target bonus percentages for Messrs. Huber, Stevison and Wells in connection with the commencement of their employment in fiscal 2022. For a further discussion, see "— Offer Letters with Named Executive Officers" beginning on page 51.

	Fiscal 2022 Base Salary*	Fiscal 2022 Target Bonus (%)	Fiscal 2022 Target Bonus (\$)
Mark Aslett	800,060	150 %	1,200,090
Michael D. Ruppert	446,351	110 %	490,986
Thomas Huber	425,000	100 %	425,000
James M. Stevison	425,000	100 %	425,000
Charles R. Wells, IV	415,000	100 %	415,000

\* Reflects annualized base salary rates in effect as of the beginning of the second quarter of the fiscal years indicated or, in the case of Messrs. Huber, Stevison and Wells, as of their respective dates of hire.

### Performance Goals and Payout Ranges for Fiscal 2022

The Committee typically establishes threshold and target performance goals for adjusted EBITDA under the AIP at the beginning of the first half ("H1") and second half ("H2") of each fiscal year. Performance goals for H1 are set in July based on our annual strategic operating plan forecast (the "SOP"). At the same meeting, the Committee establishes payout weightings for H1 and H2 performance based on the allocation, under our SOP, of the expected adjusted EBITDA results for the fiscal year between the H1 and H2 performance periods.

Performance goals for H2 are set in January based on a mid-year update to the SOP. At the same meeting, the Committee establishes "over-achievement" performance goals for the full fiscal year that allow executives to receive supplemental payouts in the event that actual adjusted EBITDA for the fiscal year exceeds the combined targets for H1 and H2 performance. These

supplemental payouts are designed so that collectively with the H1 and H2 goals, each executive's payout opportunity for the fiscal year ranges from 0% to 150% of their target bonus.

For fiscal 2022, the Committee met in July 2021 and January 2022 and established threshold and target performance goals based on adjusted EBITDA forecasts under our SOP for H1 and H2 accordingly. In connection with approving the H2 performance goals, the Committee determined that each executive's aggregate payout opportunities under the AIP for 2022 should be limited to a maximum of 100% of their target bonus in light of the increased potential for volatility in light of the challenging industry, labor and economic environment. Accordingly, the Committee did not establish any "over-achievement" performance goals for the 2022 fiscal year.

The table below sets forth the specific performance goals and payout opportunities established by the Committee under the AIP for H1 and H2 of fiscal 2022, including the relative weightings of H1 and H2 in determining each executive's total bonus opportunities for the full fiscal year.

Performance Goal	First Half of Fiscal 2022 (38% of Fiscal 2022 Bonus Opportunity)		Second Half of Fiscal 2022 (62% of Fiscal 2022 Bonus Opportunity)	
	Adjusted EBITDA		Adjusted EBITDA	
	Performance Result (in millions)	H1 Payout Percentage*	Performance Requirement (in millions)	H2 Payout Percentage*
Target	At or above 85.5	100 %	At or above 136.5	100 %
Threshold	51.3	60 %	81.9	60 %
Below Threshold	Below 51.3	— %	Below 81.9	— %

\* Payout percentages for performance results between Threshold and Target are calculated using linear interpolation.

### Actual Results and AIP Payouts for Fiscal 2022

For purposes of calculating actual financial results under the AIP, the Committee excludes the effects of pre-established categories of items that it believes are not reflective of operating performance. These categories are identical to the adjustments that we use for the external reporting of our adjusted EBITDA results in our periodic earnings releases. For a further discussion of these adjustments, see "Appendix B: Reconciliation of Non-GAAP Measures to GAAP Measures."

In addition to these adjustments, the Committee's practice is to adjust AIP results to exclude the impact of acquisitions that were not included in the SOP forecast used to establish the performance requirements for the applicable performance period. In the first half of fiscal 2022, Mercury completed the acquisitions of Avalex and Atlanta Micro. These acquisitions, which contributed \$1.6 million in the aggregate to our H1 adjusted EBITDA results, were not included in our SOP forecast used to set our H1 AIP performance goals. Accordingly, the Committee excluded these results from our H1 performance under the AIP. The expected impact of these acquisitions was included in our mid-year SOP update used to set our H2 AIP performance goals, and accordingly, the Committee included the actual contributions of these acquisitions in calculating our H2 performance results under the AIP.

After giving effect to these adjustments, our adjusted EBITDA performance under the AIP for fiscal 2022 was \$74.9 million for H1 and \$124.1 million for H2. Accordingly, the payout percentages earned by our executives under the AIP for 2022 were 87.41% for H1, 90.92% for H2 and 89.59% for fiscal year 2022 on a weighted average basis, as set forth in further detail below.

Name	Target Bonus	AIP Payouts for H1			AIP Payouts for H2			AIP Payouts for FY22	
		Weighting	Payout Percentage	Payout*	Weighting	Payout Percentage	Payout*	Weighted Payout Percentage	Payout
Mark Aslett	1,200,090	38.00 %	87.41 %	398,619	62.00 %	90.92 %	676,496	89.59 %	1,075,115
Michael D. Ruppert	490,986	38.00 %	87.41 %	163,085	62.00 %	90.92 %	276,770	89.59 %	439,855
Thomas Huber	425,000	38.00 %	87.41 %	141,167	62.00 %	90.92 %	239,574	89.59 %	380,741
James M. Stevison	425,000	38.00 %	87.41 %	141,167	62.00 %	90.92 %	239,574	89.59 %	380,741
Charles R. Wells, IV	415,000	38.00 %	87.41 %	137,846	62.00 %	90.92 %	233,937	89.59 %	371,783

\* Individual payouts for H1 and H2 performance were delivered to the named executive officers on February 17, 2022 and August 18, 2022, respectively.



## Long-Term Incentives

Long-term incentives are intended to align the interests of the named executive officers with shareholders by linking a meaningful portion of executive pay to shareholder value creation over a multi-year period. Long-term incentives are also provided to drive the performance of our long-term business strategy, engage and retain our key executives and facilitate ownership of our common stock. For fiscal 2022, the Committee approved the grant of long-term incentives to our named executive officers in the form of restricted stock awards ("RSAs") and performance stock awards ("PSAs").

### *Restricted Stock Awards*

RSAs are awarded to named executive officers under our long-term incentive program to facilitate executive ownership of company stock, to align the interests of our executives with those of our shareholders and to support retention. RSAs vest in equal annual increments over a three-year period, and the ultimate value of these awards to recipients is dependent on our stock price at the time of vesting.

### *Performance Stock Awards*

PSAs are awarded to named executive officers under our long-term incentive program primarily to motivate multi-year financial achievements that are aligned with shareholder value creation. The performance requirements of the PSAs awarded by the Committee for fiscal 2022 are substantially identical to those awarded by the Committee for fiscal 2021. The requirements are equally weighted between goals for revenue growth and Adjusted EBITDA Margin performance, for the three-year fiscal period ending with fiscal 2024, relative to the achievements over this period of our primary peer group for fiscal 2022. For the list of companies that comprise our primary peer group for fiscal 2022, see "Use of Market Data and Competitive Compensation Positioning — Compensation Peer Groups" beginning on page 45. The number of shares ultimately earned under the PSAs will range from 0% to 300% of the target number of shares awarded at the time of grant, based on our actual performance achievements over the three-year performance period, as further described in the table below.

<b>PSA Performance Goal</b>	<b>Performance Achievement Relative to Peer Group</b>	<b>Payout Percentage*</b>
Maximum	At or above 90th percentile	300 %
	75th percentile	200 %
Target	50th percentile	100 %
Threshold	At or below 25th percentile	— %

\* Payout percentages for achievements between Threshold and Maximum are calculated using linear interpolation.

For PSA awards granted in fiscal 2022, "Adjusted EBITDA Margin" means adjusted EBITDA divided by revenue. Adjusted EBITDA is a non-GAAP measure that excludes the effects of pre-established categories of items that the Committee believes are not reflective of operating performance. These categories are identical to the adjustments that we use for the external reporting of our adjusted EBITDA results in our periodic earnings releases, other than adjustments for stock-based and other non-cash compensation expense. For a further discussion of these adjustments, see "Appendix B: Reconciliation of Non-GAAP Measures to GAAP Measures."

While the Committee has elected to use adjusted EBITDA as a factor in determining performance under both our annual incentive awards and our PSAs, the performance requirements under these awards are designed so that resulting payouts reflect different and important aspects of company performance that are not duplicative. Payouts under the annual incentive plan are based on performance for a single fiscal year, while payouts under the PSAs require sustained performance achievements, relative to the primary peer group, over a three-year fiscal period. The Committee believes it is appropriate to separately reward annual and long-term adjusted EBITDA performance achievements because of the importance of earnings in creating long-term shareholder value.

### *Annual Long-Term Incentive Awards Granted in Fiscal 2022*

The Committee typically approves long-term incentive awards for named executive officers on an annual basis in July of each fiscal year, to be granted in mid-August. For fiscal 2022, the Committee approved (and in the case of Mr. Aslett, the Board ratified) the following grants of long-term incentive awards to Messrs. Aslett and Ruppert, which were granted on August 16, 2021.

Grant Date Target Value of Long-Term Incentives for Fiscal Year 2022			
	Restricted Stock Awards* (\$)	Performance Stock Awards* (\$)	Total (\$)
Mark Aslett	2,150,000	2,150,000	4,300,000
Michael D. Ruppert	715,000	715,000	1,430,000

\* Grant date target values were converted into the number of shares underlying each award based on the average closing price of Mercury's common stock during the 30 calendar days prior to the grant date.

The Committee subsequently approved "new hire" long-term incentive awards for Messrs. Huber, Stevison and Wells in connection with their commencement of employment during fiscal 2022, and the Board later approved special long-term incentive awards for the named executive officers under an equity retention plan encompassing over 100 leaders whose continuing efforts are critical to our success. For a further discussion of these awards, see "— Offer Letters with Named Executive Officers" beginning on page 51 and "— Equity Retention Plan Awards" beginning on page 51.

## OFFER LETTERS WITH NAMED EXECUTIVE OFFICERS

During fiscal 2022, the Committee approved the execution of offer letters with each of Messrs. Huber, Stevison and Wells that provided for the following initial terms of their employment as our Chief Transformation Officer, our Chief Growth Officer and President of our Microelectronics division, respectively:

- initial base salaries at the annual rates set forth in "— Elements of 2022 Target Pay — Base Salary" beginning on page 47;
- participation in our annual incentive plan for fiscal 2022 with a target bonus of 100% of their annualized base salary;
- in the case of Messrs. Huber and Stevison, individual sign-on bonuses of \$300,000, which were paid to these executives in two installments during fiscal 2022 and are subject to repayment in full in the event of resignation or termination for cause on or prior to December 31, 2022; and
- the following grants of long-term incentive awards, which were intended in part to restore compensation forfeited with a prior employer, to motivate multi-year financial achievements that are aligned with shareholder value creation and to further align each executive's interests with those of our shareholders.

Grant Date Target Value of "New Hire" Awards for Fiscal Year 2022			
	Restricted Stock Awards* (\$)	Performance Stock Awards* (\$)	Total (\$)
Thomas Huber	1,500,000	500,000	2,000,000
James M. Stevison	800,000	800,000	1,600,000
Charles R. Wells, IV	800,000	800,000	1,600,000

\* Grant date target values were converted into the number of shares underlying each award based on the average closing price of Mercury's common stock during the 30 calendar days prior to the grant date.

The terms of the RSAs and PSAs granted to Messrs. Huber, Stevison and Wells pursuant to their offer letters are substantially identical to the terms of the annual awards granted to Messrs. Aslett and Ruppert on August 16, 2021 as part of their fiscal 2022 compensation. For a further discussion of the terms of these awards, see "— Elements of 2022 Target Pay — Long-Term Incentives" beginning on page 50.

## EQUITY RETENTION PLAN AWARDS

At the start of fiscal 2022, we adopted a plan to reorganize Mercury's operating structure in order to manage the considerable growth we had achieved in recent years and to facilitate scaling our organization for future opportunities. In connection with this plan, we hired three new executives to lead in our new structure: Mr. Huber as our Chief Transformation Officer, Mr. Stevison as our Chief Growth Officer and Mr. Wells as President of our Microelectronics Division.

During this same period, substantial industry and labor market challenges began to emerge. The uncertainty associated with these trends was exacerbated by public shareholder activity. These conditions led to increased attrition within our enterprise, including with respect to one of the members of our executive leadership team, our Chief Human Resources Officer.

Following a detailed review of these circumstances, the Board determined that continuity of leadership, strategy and execution was in the best interests of our shareholders. Accordingly, on February 7, 2022, our Board approved an Equity Retention

Plan (the "ERP") encompassing our Chief Executive Officer, our executive leadership team and over 100 additional leaders whose continuing efforts were deemed critical to our success. The Board approved the ERP as a key element in our ongoing efforts to build on Mercury's strong foundation and drive the next phase of value creation at greater scale. The ERP was intended to ensure that leaders across our organization remain focused on advancing our strategy, while at the same time supporting the retention of our key leaders at a critical junction in our transformation.

Our Board approved the ERP at the recommendation of the Committee after consultation with its independent compensation consultant and careful consideration of a range of incentive options. Under the ERP, all participants, including our named executive officers, were granted their annual equity awards for fiscal 2023 on February 15, 2022, approximately six months earlier than our typical annual equity cycle. Additional one-time awards were granted under the ERP to retain and further incentivize achievement of our long-term strategic goals. The value of these additional retention grants varied among different ERP participants and ranged from 1x to 2x of each participant's annual long-term incentive compensation. In determining the value of the retention awards to be granted, the Committee considered broader market data for prior grants of similar awards by other public companies and share usage and dilution in respect of these awards. The value of each participant's individual retention grants reflects the significance of the participants' responsibilities, potential future contributions to the company's long-term success, their strategic importance to Mercury and their attractiveness to competitors.

Consistent with our long-term incentive program structure, half of the long-term incentives for the named executive officers under the ERP were granted in the form of performance stock awards that are contingent upon future performance to have any realized value, and half were granted in the form of restricted stock awards. The performance stock awards vest on the third anniversary following the date of grant, while the restricted stock awards vest in equal annual increments over the three-year period following the date of grant. No additional long-term incentive awards will be issued to the named executive officers in fiscal 2023.

Following the announcement and execution of the ERP, attrition among our key leaders has been significantly less than the population not receiving the award, and we have retained all members of our executive leadership team who participated in the ERP through the date of this proxy statement.

The table below sets forth, for each named executive officer, the portion of the grant date target value of the awards granted on February 15, 2022 that represent: (1) the accelerated grant of the executive's annual equity awards for fiscal 2023 and (2) the additional retention awards granted to the executive.

	Annual LTI Awards for Fiscal Year 2023			One-Time Retention Awards		
	Performance Stock Awards* (\$)	Restricted Stock Awards* (\$)	Total (\$)	Performance Stock Awards* (\$)	Restricted Stock Awards* (\$)	Total (\$)
Mark Aslett	2,150,000	2,150,000	4,300,000	4,150,000	4,150,000	8,300,000
Michael D. Ruppert	715,000	715,000	1,430,000	1,215,000	1,215,000	2,430,000
Thomas Huber	415,000	415,000	830,000	415,000	415,000	830,000
James M. Stevison	398,000	398,000	796,000	398,000	398,000	796,000
Charles R. Wells, IV	415,000	415,000	830,000	415,000	415,000	830,000

\* Grant date target values were converted into the number of shares underlying each award based on the average closing price of Mercury's common stock during the 30 calendar days prior to the grant date

The terms of all performance stock awards and restricted stock awards granted under the ERP to the named executive officers are substantially identical to the terms of the annual awards granted to executives generally on August 16, 2021 as part of their fiscal 2022 compensation, including performance periods and goals, and appropriate shareholder protections that limit termination-related vesting to death, disability and termination in connection with a change in control. For a further discussion of these awards generally, see "— Elements of Fiscal 2022 Target Pay — Long-Term Incentives" beginning on page 50. For a further discussion concerning the effect of a change in control or termination of employment on these awards, see "Tabular Executive Compensation Disclosure — Potential Payments Upon Change in Control or Termination of Employment" beginning on page 62.

#### PAYOUT OF PERFORMANCE STOCK AWARDS FOR THE 2020-2022 AWARD CYCLE

In August 2022, the Committee reviewed and certified the results for the performance stock awards granted to named executive officers in fiscal 2020. Payouts under these awards were contingent upon our adjusted EBITDA Margin and revenue growth achievements over the three-year performance period ending with fiscal 2022. Our performance relative to our peers approximated the 57th percentile for adjusted EBITDA margin and the 86th percentile for revenue growth, resulting in overall performance stock award payouts of 199.9% of the target number of shares originally awarded to each executive in fiscal 2020, subject to the executive's continued employment through August 15, 2022.

## **SUMMARY OF COMPENSATION ACTIONS FOR FISCAL 2023**

For fiscal 2023, the Committee determined to make no changes to the base salaries and target bonuses of any of our named executive officers. In addition, the Committee did not grant any long-term incentives to our named executive officers beyond those previously granted for fiscal 2023 in February 2022 as part of the equity retention plan. Finally, the Committee adopted a new annual incentive plan for fiscal 2023 under which performance-based payouts would be tied to our weighted achievements for the following financial measures: adjusted EBITDA (50%), revenue (25%) and adjusted free cash flow (25%). The Committee intends to perform a similar review of our long-term incentive plan design for fiscal 2024, and to then review annual grants of long-term incentives for named executive officers during fiscal 2024 consistent with past practice.

## **EXECUTIVE PERQUISITES**

We provide our named executive officers with limited personal perquisites consistent with competitive practices. For fiscal 2022, these perquisites were limited to providing Messrs. Aslett and Ruppert with a \$12,000 annual allowance for personal tax and financial planning.

## **EMPLOYMENT, SEVERANCE AND CHANGE IN CONTROL ARRANGEMENTS**

We have entered into an employment agreement with Mr. Aslett, and severance agreements with each of our other executive officers, which provide specified benefits in connection with certain terminations of employment. Our severance benefits are designed to be market competitive and do not include tax gross-ups. Consistent with market practice, these arrangements provide enhanced benefits in the event of a termination in connection with a change in control, which are designed to ensure that our executives entertain proposals that are in the best interests of our shareholders even when it may not be in their own personal best interest, thereby aligning the interests of the executives with those of our shareholders. For a further description, see "Tabular Executive Compensation Disclosure — Potential Payments Upon Change in Control or Termination of Employment" beginning on page 62.

## **STOCK OWNERSHIP GUIDELINES**

Our stock ownership guidelines reflect the Committee's belief that executives should accumulate a meaningful level of ownership in company stock to align their interests with those of our shareholders. The Chief Executive Officer's ownership guideline is equivalent in value to five times his base salary. The ownership guidelines for other executives who report directly to our Chief Executive Officer, including the other named executive officers, is equivalent in value to three times base salary. The Committee reviews progress toward guideline achievement annually. Each executive subject to stock ownership guidelines is required to retain 50% of net shares (after payment of fees, taxes and exercise prices, if applicable) acquired upon the vesting of stock awards or the exercise of stock options until the guideline multiple of base salary is met. For purposes of the guidelines, stock ownership includes shares of company stock held outright, share equivalents held in benefit plans and unvested RSAs and PSAs (assuming performance at target in the case of PSAs). As of July 1, 2022, all of our named executive officers were in compliance with our stock ownership guideline policy.

## **COMPENSATION CLAWBACK POLICY**

Under our clawback policy, our Board will, in all appropriate circumstances, require reimbursement of any annual incentive payment or long-term incentive payment to an executive officer if:

- the payment was predicated upon the achievement of financial results that were subsequently the subject of a substantial restatement of our publicly filed financial statements;
- the Board determines that the executive engaged in intentional misconduct that substantially caused the need for the substantial restatement; and
- a smaller payment would have been made to the executive based upon the restated financial results

## **ANTI-HEDGING AND ANTI-PLEDGING POLICIES**

Our policies prohibit the hedging or pledging of company stock by all executives, employees and non-employee directors.

## **COMPENSATION RISK ASSESSMENT**

The Committee periodically reviews and discusses with management, management's assessment of whether risks arising from Mercury's compensation policies and practices for all employees, including executive officers, are reasonably likely to have a

material adverse effect on the company. As part of the most recent assessment, the following were determined on a collective basis for Mercury and its subsidiaries:

- Our compensation programs consist of both fixed and variable components, as well as short and long-term performance measures. Fixed compensation is in the form of base salary, which provides a steady income stream to our employees regardless of the performance of our business or stock price. Variable compensation (in the form of annual and long-term incentives) fluctuates based upon our performance against short- and long-term objectives or our stock price. This balanced mix of compensation is designed to motivate our employees, including our executive officers, to produce superior short- and long-term corporate performance without taking unnecessary or excessive risks.
- Our incentive compensation designs emphasize company profit as a key performance measure. We believe that our focus on profit encourages a comprehensive approach to our overall performance and emphasizes consistent behavior across the organization.
- Payouts under our annual incentive plan and our PSAs are subject to maximum limits as a percentage of target awards. We believe this mitigates excessive risk taking by limiting potential windfalls for dramatically exceeding performance expectations.
- We prohibit all of our employees from engaging in short sales or pledges of company stock, or buying or selling puts, calls, or other derivative securities related to company stock. These restrictions are intended to minimize the likelihood that our employees will become subject to personal incentives that are contrary to the long-term interests of Mercury and our shareholders.
- Our stock ownership guidelines policy is intended to align our executives' long-term interests with those of our shareholders and to encourage a long-term focus in managing the Company

## **TAX CONSIDERATIONS**

The Tax Cuts and Jobs Act enacted on December 22, 2017 modified Internal Revenue Code ("IRC") Section 162(m) and, among other things, limits the federal tax deduction for annual individual compensation to \$1 million for named executive officers beginning with the 2018 tax year. Previously, compensation in excess of \$1 million could be deducted if it was performance based. The Tax Cuts and Jobs Act includes a transition relief rule in which these changes do not apply to compensation payable pursuant to a written binding contract in effect on November 2, 2017 and that is not materially modified after that date. To the extent it is applicable to our existing arrangements, the Committee may avail itself of this rule. The Committee considers the impact of tax laws when developing and implementing its executive compensation programs; however, the Committee expects to provide compensation that is not tax deductible when it believes that the value in doing so outweighs the value of the lost tax deduction.

## **EQUITY GRANT TIMING**

We do not time the grant of equity awards to precede the release of non-public information. Grants of annual long-term incentive awards to executives and employees are typically made on or about the 15th day of each August. Grants of other equity awards (in connection with new hires, promotions and recognition awards), if any, are typically made on or about the 15th day of each month. Under the terms of the Company's long-term equity incentive plans, the exercise price of stock options awarded under such plans is equal to the fair market value of the underlying company stock on the date of grant. The Committee does not grant discounted stock options, and our long-term equity incentive plans do not permit stock option repricing without shareholder approval.

## REPORT OF THE HUMAN CAPITAL AND COMPENSATION COMMITTEE

The Human Capital and Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this proxy statement, and based on such review and discussion, the Committee recommended to Mercury's Board that the Compensation Discussion and Analysis be included in this proxy statement and be incorporated by reference into Mercury's annual report on Form 10-K for the fiscal year ended July 1, 2022.

During fiscal 2022, Mary Louise Krakauer (Chair), Orlando P. Carvalho and Michael A. Daniels served as members of the Committee. Vincent Vitto served as a member of the Committee until October 27, 2021. Debora A. Plunkett has served as a member of the Committee since October 27, 2021, and each of Lisa S. Disbrow and Howard L. Lance has served as a member of the Committee since June 24, 2022. Barry R. Nearhos served as a member of the Committee until June 24, 2022.

By the Human Capital and Compensation Committee  
of the Board of Directors of Mercury Systems, Inc.

Mary Louise Krakauer, Chair  
Orlando P. Carvalho  
Michael A. Daniels  
Lisa S. Disbrow  
Howard L. Lance  
Debora A. Plunkett

## TABULAR EXECUTIVE COMPENSATION DISCLOSURE

### Summary Compensation Table

The following table provides summary information concerning compensation paid or accrued by us to or on behalf of our President and Chief Executive Officer; our Executive Vice President, Chief Financial Officer and Treasurer; and each of our three other most highly compensated executive officers serving at our 2022 fiscal year end. These officers are collectively referred to as our "named executive officers."

Name and Principal Position	Fiscal Year	Salary	Bonus <sup>(1)</sup>	Stock Awards <sup>(2)(3)</sup>	Non-Equity Incentive Plan Compensation <sup>(4)</sup>	All Other Compensation <sup>(5)</sup>	Total
Mark Aslett <i>President and Chief Executive Officer</i>	2022	\$ 782,275	\$ —	\$ 16,981,781	\$ 1,075,115	\$ 20,700	\$ 18,859,871
	2021	722,692	—	3,732,297	473,430	20,700	4,949,119
	2020	672,077	—	3,819,504	1,032,187	20,550	5,544,318
Michael D. Ruppert <i>EVP, Chief Financial Officer and Treasurer</i>	2022	438,489	—	5,297,522	439,855	21,150	6,197,016
	2021	413,879	—	1,144,542	197,312	20,700	1,776,433
	2020	399,696	—	1,255,026	443,005	20,550	2,118,277
Thomas Huber <sup>(6)</sup> <i>EVP and Chief Transformation Officer</i>	2022	333,461	300,000	3,807,386	380,741	9,139	4,830,727
James M. Steverson <sup>(6)</sup> <i>EVP and Chief Growth Officer</i>	2022	302,404	300,000	3,572,049	380,741	11,152	4,566,346
Charles R. Wells, IV <sup>(6)</sup> <i>EVP and President of Microelectronics Division</i>	2022	263,365	—	3,600,657	371,783	9,498	4,245,303

- (1) Represents sign-on bonuses that are subject to repayment in full in the event of resignation or termination for cause on or prior to December 31, 2022. For a further discussion, see "Compensation Discussion and Analysis — Offer Letters with Named Executive Officers" beginning on page 51.
- (2) Represents the aggregate grant date fair value of stock awards granted to our named executive officers. The amounts reported in this column do not reflect whether the named executive officer has actually realized a financial benefit from the awards. The grant date fair value of stock awards is computed in accordance with Accounting Standards Codification Topic 718 (ASC Topic 718). For a discussion of the assumptions and methodologies used to calculate the grant date fair value of stock awards in this proxy statement, please refer to Note B of the financial statements in our annual report on Form 10-K for the fiscal year ended July 1, 2022.

For fiscal 2022, the stock awards granted to the named executive officers fall within the following categories: (a) new-hire awards, (b) annual LTI awards for fiscal 2022, (c) accelerated grants of annual LTI awards for fiscal 2023, and (d) one-time retention awards granted under the equity retention plan. The table below provides the grant date fair value of the stock awards received by the named executive officers for each of these categories. For a further discussion, see "Compensation Discussion and Analysis — Offer Letters with Named Executive Officers" beginning on page 51, "Compensation Discussion and Analysis — Elements of Fiscal 2022 Target Pay — Long Term Incentives" beginning on page 50 and "Compensation Discussion and Analysis — Equity Retention Plan Awards" beginning on page 51.

Name	New Hire Awards	Annual LTI Awards for Fiscal 2022	Accelerated Grants of Annual LTI Awards for Fiscal 2023	One-Time Retention Awards under the Equity Retention Plan	Total Stock Awards Granted in Fiscal 2022
Mark Aslett	\$ —	\$ 3,630,874	\$ 4,556,277	\$ 8,794,630	\$ 16,981,781
Michael D. Ruppert	—	1,207,456	1,515,228	2,574,838	5,297,522
Thomas Huber	2,048,440	—	879,531	879,415	3,807,386
James M. Steverson	1,885,134	—	843,516	843,399	3,572,049
Charles R. Wells, IV	1,841,711	—	879,531	879,415	3,600,657

- (3) The amounts reported for PSAs in this column reflect the grant date fair value of such awards based upon the probable outcome of their performance conditions. For fiscal 2022, the values of the PSAs included for each named executive officer are: Mr. Aslett – \$9,097,750; Mr. Ruppert – \$2,834,673; Mr. Huber – \$1,610,055; Mr. Stevison – \$1,961,102 and Mr. Wells – \$2,000,392. If these PSAs had been valued as of the grant date assuming that the highest level of performance would be achieved, the amounts included for each named executive officer would have been: Mr. Aslett – \$23,652,093; Mr. Ruppert – \$7,388,546; Mr. Huber – \$3,900,017; Mr. Stevison – \$4,702,570 and Mr. Wells – \$4,800,795.
- (4) Represents amounts earned under our annual incentive plan based on performance for the applicable fiscal year. For a further discussion, see "Compensation Discussion and Analysis — Elements of Fiscal 2022 Target Pay — Annual Incentives" beginning on page 48.
- (5) The table below shows the components of this column for fiscal 2022:

Name	Employer Contributions to 401(k) Plan <sup>(a)</sup>	Personal Tax and Financial Planning <sup>(b)</sup>	Total All Other Compensation
Mark Aslett	\$ 8,700	\$ 12,000	\$ 20,700
Michael D. Ruppert	9,150	12,000	21,150
Thomas Huber	9,139	—	9,139
James M. Stevison	11,152	—	11,152
Charles R. Wells, IV	9,498	—	9,498

- (a) Reflects company contributions credited to accounts of our named executive officers under the Mercury Employees Retirement Investment Trust, which is a tax-qualified, 401(k) defined contribution plan. Employer contributions vest in equal annual increments over the two-year period following the participant's date of hire.
- (b) The amounts in this column represent an annual stipend paid in lump sum to secure personal tax and financial planning advisory services.
- (6) Messrs. Huber, Stevison and Wells were not employed by Mercury prior to our 2022 fiscal year.



## Grants of Plan-Based Awards

The following table provides information regarding: (1) annual incentive plan awards and (2) PSAs and RSAs under the Mercury Systems, Inc. Amended and Restated 2018 Stock Incentive Plan. Plan-based awards granted to the named executive officers in fiscal year 2022 were approved by the Human Capital and Compensation Committee of our Board of Directors (the "Committee"), or by the independent members of our Board of Directors (in the case of all awards granted to our Chief Executive Officer, and awards granted to our other named executive officers on February 15, 2022), on the dates below.

Name	Approval Date	Grant Type	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 (\$)
				Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Mark Aslett	7/28/21	H1 AIP <sup>(1)</sup>		273,621	456,034	456,034					
	1/26/22	H2 AIP <sup>(1)</sup>		446,433	744,056	744,056					
	7/27/21	FY22 PSA <sup>(2)(3)</sup>	8/16/21				—	34,993	104,979		
	7/27/21	FY22 RSA <sup>(2)(4)</sup>	8/16/21							34,993	
	2/7/22	FY23 PSA <sup>(3)(5)</sup>	2/15/22				—	39,091	117,273		
	2/7/22	FY23 RSA <sup>(4)(5)</sup>	2/15/22							39,091	
	2/7/22	Retention PSA <sup>(3)(6)</sup>	2/15/22				—	75,454	226,362		
	2/7/22	Retention RSA <sup>(4)(6)</sup>	2/15/22							75,454	
Michael D. Ruppert	7/27/21	H1 AIP <sup>(1)</sup>		111,945	186,575	186,575					
	1/25/22	H2 AIP <sup>(1)</sup>		182,647	304,411	304,411					
	7/27/21	FY22 PSA <sup>(2)(3)</sup>	8/16/21				—	11,637	34,911		
	7/27/21	FY22 RSA <sup>(2)(4)</sup>	8/16/21							11,637	
	2/7/22	FY23 PSA <sup>(3)(5)</sup>	2/15/22				—	13,000	39,000		
	2/7/22	FY23 RSA <sup>(4)(5)</sup>	2/15/22							13,000	
	2/7/22	Retention PSA <sup>(3)(6)</sup>	2/15/22				—	22,091	66,273		
	2/7/22	Retention RSA <sup>(4)(6)</sup>	2/15/22							22,091	
Thomas Huber	8/17/21	H1 AIP <sup>(1)</sup>		96,900	161,500	161,500					
	1/25/22	H2 AIP <sup>(1)</sup>		158,100	263,500	263,500					
	10/26/21	New Hire PSA <sup>(3)(7)</sup>	11/15/21				—	9,261	28,863		
	8/17/21	New Hire RSA <sup>(4)(7)</sup>	9/15/21							30,236	
	2/7/22	FY23 PSA <sup>(3)(5)</sup>	2/15/22				—	7,546	22,638		
	2/7/22	FY23 RSA <sup>(4)(5)</sup>	2/15/22							7,546	
	2/7/22	Retention PSA <sup>(3)(6)</sup>	2/15/22				—	7,545	22,635		
	2/7/22	Retention RSA <sup>(4)(6)</sup>	2/15/22							7,545	
James M. Stevison	7/27/21	H1 AIP <sup>(1)</sup>		96,900	161,500	161,500					
	1/25/22	H2 AIP <sup>(1)</sup>		158,100	263,500	263,500					
	10/26/21	New Hire PSA <sup>(3)(7)</sup>	11/15/21				—	15,393	46,179		
	9/27/21	New Hire RSA <sup>(4)(7)</sup>	10/15/21							16,853	
	2/7/22	FY23 PSA <sup>(3)(5)</sup>	2/15/22				—	7,237	21,711		
	2/7/22	FY23 RSA <sup>(4)(5)</sup>	2/15/22							7,237	
	2/7/22	Retention PSA <sup>(3)(6)</sup>	2/15/22				—	7,236	21,708		
	2/7/22	Retention RSA <sup>(4)(6)</sup>	2/15/22							7,236	
Charles R. Wells, IV	8/17/21	H1 AIP <sup>(1)</sup>		94,620	157,700	157,700					
	1/25/22	H2 AIP <sup>(1)</sup>		154,380	257,300	257,300					
	10/26/21	New Hire PSA <sup>(3)(7)</sup>	11/15/21				—	15,393	46,179		
	9/27/21	New Hire RSA <sup>(4)(7)</sup>	11/15/21							15,393	
	2/7/22	FY23 PSA <sup>(3)(5)</sup>	2/15/22				—	7,546	22,638		
	2/7/22	FY23 RSA <sup>(4)(5)</sup>	2/15/22							7,546	
	2/7/22	Retention PSA <sup>(3)(6)</sup>	2/15/22				—	7,545	22,635		
	2/7/22	Retention RSA <sup>(4)(6)</sup>	2/15/22							7,545	

- (1) Represents the Threshold, Target and Maximum cash payout opportunities for the first half or second half of fiscal 2022, as applicable, under our annual incentive plan. For a further discussion of the payout opportunities, see "Compensation Discussion and Analysis – Elements of 2022 Target Pay – Annual Incentives" beginning on page 48.
- (2) Represents awards granted to the named executive officers as part of their target pay for fiscal 2022.
- (3) PSAs vest on the third anniversary following their grant date. The final number of shares of our common stock earned in respect of each award will vary based upon Mercury's EBITDA Margin and revenue growth achievements, relative to Mercury's peers, over the three-year fiscal performance period ending with fiscal year 2024. The amounts disclosed in the Estimated Future Payouts Under Equity Incentive Plan Awards columns represent the number of shares of our common stock that would be earned assuming achievement of the specific Threshold, Target or Maximum levels of performance established by the Committee in respect of each award. The amounts disclosed in the Grant Date Fair Value of Stock and Option Awards column represent the grant date fair value of each award assuming that the probable outcome of the performance conditions in respect of the award is achieved, as calculated in accordance with in accordance with FASB ASC Topic 718. See "Compensation Discussion and Analysis – Elements of Fiscal 2022 Target Pay – Long-Term Incentives – Performance Stock Awards" beginning on page 50 for a further discussion of the PSAs. See "– Potential Payments Upon Change in Control or Termination of Employment" beginning on page 62 for a discussion concerning the effect of a change in control or termination of employment on outstanding PSAs.
- (4) RSAs vest in equal annual increments over the three-year period after their grant date. The amount disclosed in the Grant Date Fair Value of Stock and Option Awards column represents the grant date fair value of each award, as calculated in accordance with FASB ASC Topic 718. For a further discussion of our RSAs, see "Compensation Discussion and Analysis – Elements of Fiscal 2022 Target Pay – Long-Term Incentives – Restricted Stock Awards" on page 50. For a discussion concerning the effect of a change in control or termination of employment on outstanding RSAs, see "– Potential Payments Upon Change in Control or Termination of Employment" beginning on page 62.
- (5) Represents awards granted to the named executive officers on February 15, 2022 as part of the accelerated grant of their annual equity awards for fiscal 2023 under the equity retention plan. For a further discussion of the equity retention plan, see "Compensation Discussion and Analysis – Equity Retention Plan Awards" beginning on page 51.
- (6) Represents one-time retention awards granted to the named executive officers on February 15, 2022 under the equity retention plan. For a further discussion of the equity retention plan, see "Compensation Discussion and Analysis – Equity Retention Plan Awards" beginning on page 51.
- (7) Represents awards granted in connection with the hiring of the executive, including (a) to restore compensation forfeited with a prior employer as a result of the executive's commencement of employment with Mercury and (b) to further align the executive's interests with those of our shareholders.

## Outstanding Equity Awards at 2022 Fiscal Year-End

The following table provides information with respect to holdings of unvested RSAs and PSAs held by the named executive officers at July 1, 2022.

Name	Grant Date	Stock Awards				
		Number of Shares or Units That Have Not Vested <sup>(1)</sup> (#)	Market Value of Shares or Units of Stock That Have Not Vested <sup>(2)</sup> (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(3)</sup> (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(2)</sup> (\$)	
Mark Aslett	2/15/22	114,545	\$ 7,330,880	343,635	\$ 21,992,640	
	8/16/21	34,993	2,239,552	34,993	6,718,656	
	8/17/20	15,978	1,022,592	71,904	4,601,856	
	8/15/19	7,684	491,776	69,159	4,426,176	
Michael D. Ruppert	2/15/22	35,091	2,245,824	35,091	105,273	6,737,472
	8/16/21	11,637	744,768	34,911	2,234,304	
	8/17/20	4,900	313,600	22,050	1,411,200	
	8/15/19	2,525	161,600	22,725	1,454,400	
Thomas Huber	2/15/22	15,091	965,824	45,273	2,897,472	
	11/15/21	—	—	28,863	1,847,232	
	9/15/21	30,236	1,935,104	—	—	
James M. Steverson	2/15/22	14,473	926,272	43,419	2,778,816	
	11/15/21	—	—	46,179	2,955,456	
	10/15/21	16,853	1,078,592	—	—	
Charles R. Wells, IV	2/15/22	15,091	965,824	45,273	2,897,472	
	11/15/21	15,393	985,152	46,179	2,955,456	

- (1) Represents RSAs, which vest in equal annual increments over the three-year period following the grant date. For a discussion concerning the effect of a change in control or termination of employment on outstanding RSAs, see "– Potential Payments Upon Change in Control or Termination of Employment" beginning on page 62.
- (2) The market value of each award is based on the closing price of our common stock on July 1, 2022 of \$64.00, multiplied by the number of shares reported for the award.
- (3) Reflects the number of shares of our common stock issuable under PSAs assuming achievement of the Maximum level of performance for these units because our performance through the end of fiscal 2022 exceeded the Target level of performance for these units. For a further discussion of our PSAs, see "Compensation Discussion and Analysis – Elements of Fiscal 2022 Target Pay – Long-Term Incentives – Performance Stock Awards" beginning on page 50. For a discussion concerning the effect of a change in control or termination of employment on outstanding PSAs, see "– Potential Payments Upon Change in Control or Termination of Employment" beginning on page 62.

### Stock Vested

The following table provides information regarding the vesting of RSAs and PSAs held by our named executive officers during fiscal 2022. No stock options were held by any of the named executive officers during fiscal 2022.

Name	Stock Awards	
	Number of Shares Acquired on Vesting <sup>(1)</sup> (#)	Value Realized on Vesting <sup>(2)</sup> (\$)
Mark Aslett	88,191	\$ 4,675,201
Michael D. Ruppert	28,834	1,528,792
Thomas Huber	—	—
James M. Stevison	—	—
Charles R. Wells, IV	—	—

(1) The following table provides additional information regarding the number of shares acquired upon vesting.

Name	Award Type	Grant Date	Vesting Date	Number of Shares Acquired on Vesting (#)
Mark Aslett	Restricted Stock Award	8/15/18	8/15/21	8,531
	Restricted Stock Award	8/15/19	8/15/21	7,685
	Restricted Stock Award	8/17/20	8/17/21	7,990
	Performance Stock Award	8/15/18	8/15/21	63,985
Michael D. Ruppert	Restricted Stock Award	8/15/18	8/15/21	2,807
	Restricted Stock Award	8/15/19	8/15/21	2,525
	Restricted Stock Award	8/17/20	8/17/21	2,450
	Performance Stock Award	8/15/18	8/15/21	21,052

(2) Value realized upon vesting is based on the fair market value of the shares at the time of vesting and includes the value of payments in lieu of fractional shares.

**Potential Payments upon Change in Control  
or Termination of Employment**

**Severance Arrangements; Effect of Termination of Employment upon Long-Term Incentive Awards**

We have entered into severance agreements with each of our named executive officers that provide certain benefits in the event of a termination of employment by us without cause or by the executive for good reason. These benefits are enhanced in the event the termination occurs either:

- within 18 months (or within 24 months, in the case of our Chief Executive Officer) after a change in control; or
- during a protected period triggered by a potential change in control event, but only if a change in control actually occurs within 18 months (or 24 months) thereafter.

A change in control includes, among other events and subject to certain exceptions, the acquisition by any person of beneficial ownership of 30% or more of our outstanding common stock. The material terms of these severance arrangements are set forth in the following table.

Benefit	Standard Severance (termination by company without cause or by executive for good reason)		Change in Control Severance	
	Chief Executive Officer	Other Named Executive Officers	Chief Executive Officer	Other Named Executive Officers
Cash Severance	<ul style="list-style-type: none"> <li>• 18 months of base salary continuation</li> <li>• Lump-sum payment of target bonus</li> </ul>	<ul style="list-style-type: none"> <li>• 12 months of base salary continuation</li> <li>• Lump-sum payment of target bonus</li> </ul>	Lump-sum payment equal to twice the sum of: <ul style="list-style-type: none"> <li>• annual base salary; and</li> <li>• target bonus</li> </ul>	Lump-sum payment equal to one and one-half times (1.5x) of the sum of: <ul style="list-style-type: none"> <li>• annual base salary; and</li> <li>• target bonus</li> </ul>
Outplacement	Up to \$45,000 in services	Up to \$30,000 in services	Up to \$45,000 in services	Up to \$45,000 in services
Subsidized medical benefits at same cost as similarly situated active employees	Up to 24 months of coverage	Up to 12 months of coverage	Up to 24 months of coverage	Up to 18 months of coverage
Accelerated Equity Vesting	N/A	N/A	<ul style="list-style-type: none"> <li>• Full acceleration of outstanding long-term incentive awards</li> <li>• Performance stock award payouts will be based on actual performance through the date of the change of control (or, in the case of death or disability, as of most recent fiscal quarter end prior to the date of death or disability. For performance stock awards granted during or after fiscal 2021, the accelerated payouts will be made at no less than the target level of performance.</li> </ul>	

In the event of an executive officer's death or disability, any unvested portion of a long-term incentive award previously granted to the executive will immediately vest, with performance stock awards being paid out based on actual performance through the end of the most recently completed fiscal quarter prior to the date of death or disability. In the event of any other termination not otherwise described above, any unvested long-term incentive awards held by the executive at the time of termination will immediately be forfeited.

**Payments Upon Change in Control or Termination of Employment**

The following table quantifies the payments under our severance arrangements and long-term incentive awards that would be made by us to, or on behalf of, our named executive officers assuming the termination of their employment, under the circumstances described in the table, on July 1, 2022, which is the last business day of our 2022 fiscal year. Payments that are available generally to salaried employees that do not discriminate in scope, terms or operation in favor of executive officers are not included in this table.

Name	Benefit <sup>(1)</sup>	Circumstances of Termination			
		By Mercury Without Cause	By Executive for Good Reason	In Connection With Change in Control <sup>(2)</sup>	Death/Disability
Mark Aslett	Cash Severance <sup>(3)</sup>	\$ 2,400,180	\$ 2,400,180	\$ 4,000,300	\$ —
	Outplacement <sup>(4)</sup>	45,000	45,000	45,000	—
	Medical Benefits <sup>(5)</sup>	42,476	42,476	42,476	—
	Accelerated Equity Vesting <sup>(6)</sup>	—	—	28,957,554	27,636,834
	<b>Total</b>	<b>2,487,656</b>	<b>2,487,656</b>	<b>33,045,330</b>	<b>27,636,834</b>
Michael D. Ruppert	Cash Severance <sup>(3)</sup>	937,336	937,336	1,406,004	—
	Outplacement <sup>(4)</sup>	30,000	30,000	45,000	—
	Medical Benefits <sup>(5)</sup>	23,683	23,683	35,525	—
	Accelerated Equity Vesting <sup>(6)</sup>	—	—	9,094,406	8,681,705
	<b>Total</b>	<b>991,019</b>	<b>991,019</b>	<b>10,580,935</b>	<b>8,681,705</b>
Thomas Huber	Cash Severance <sup>(3)</sup>	850,000	850,000	1,275,000	—
	Outplacement <sup>(4)</sup>	30,000	30,000	45,000	—
	Medical Benefits <sup>(5)</sup>	14,020	14,020	21,030	—
	Accelerated Equity Vesting <sup>(6)</sup>	—	—	4,798,810	4,580,553
	<b>Total</b>	<b>894,020</b>	<b>894,020</b>	<b>6,139,840</b>	<b>4,580,553</b>
James M. Steverson	Cash Severance <sup>(3)</sup>	850,000	850,000	1,275,000	—
	Outplacement <sup>(4)</sup>	30,000	30,000	45,000	—
	Medical Benefits <sup>(5)</sup>	14,020	14,020	21,030	—
	Accelerated Equity Vesting <sup>(6)</sup>	—	—	4,298,573	4,034,796
	<b>Total</b>	<b>894,020</b>	<b>894,020</b>	<b>5,639,603</b>	<b>4,034,796</b>
Charles R. Wells, IV	Cash Severance <sup>(3)</sup>	830,000	830,000	1,245,000	—
	Outplacement <sup>(4)</sup>	30,000	30,000	45,000	—
	Medical Benefits <sup>(5)</sup>	23,545	23,545	35,318	—
	Accelerated Equity Vesting <sup>(6)</sup>	—	—	4,292,147	4,022,913
	<b>Total</b>	<b>883,545</b>	<b>883,545</b>	<b>5,617,465</b>	<b>4,022,913</b>

- (1) Receipt of the benefits set forth in this table, other than in the event of the executive's death or disability, is conditioned upon the executive's execution of a customary release of all claims against Mercury.
- (2) The benefits reported in this column are payable only in the event the executive's employment is terminated by the Company without cause, or by the executive for good reason, within a specified time period in respect of a potential change in control event or actual change in control. For a further discussion, see "— Severance Arrangements; Effect of Termination of Employment upon Long-Term Incentive Awards" beginning on page 62. In the event that the payments reported in this column, when aggregated with all other change in control payments, would subject the named executive officer to an excise tax under IRS regulations, these payments would be reduced to the highest amount for which no excise tax would be due, but only if the reduced amount is greater than the unreduced amount net of the excise tax.
- The occurrence of a change in control has no immediate effect on the vesting of RSAs or PSAs; however, any PSAs outstanding at the time of a change in control would be automatically converted at that time to RSAs covering a number of shares based on the actual performance achieved under the PSAs through the date of the change in control (which, in the case of PSAs granted during or after fiscal 2021, would be deemed to be no less than the target level of performance). These new RSAs would be subject to the same remaining vesting schedule as the PSAs being converted.
- (3) As discussed in "— Severance Arrangements; Effect of Termination of Employment upon Long-Term Incentive Awards" beginning on page 62, the cash severance payable to each named executive officer in connection with a qualified termination of employment is a multiple of annual base salary and target bonus. This payment is in lieu of any other payments under the annual incentive plan.

- (4) The outplacement benefit reported in this table reflects the maximum amount payable for such services in connection with the circumstances of the applicable termination event.
- (5) Medical benefits are based on the applicable multiple of the premiums paid by the Company in calendar 2022 to provide the named executive officer (and the named executive officer's spouse and dependents, as applicable) with medical, dental and vision coverage, together with an additional COBRA coverage administrative fee that would be borne by the company.
- (6) The value reported reflected for accelerated equity vesting reflects the unvested number of shares underlying outstanding awards on the date of termination, multiplied by the closing price of our common stock on the date of termination. In the case of PSAs:
  - (a) we assumed that both the change in control (if applicable) and the termination of employment occurred on July 1, 2022; and
  - (b) the number of shares underlying the awards were adjusted to reflect actual performance under the awards through the date of the change in control (July 1, 2022), or the end of the most recent completed fiscal quarter prior to the date of death or disability (April 1, 2022), as applicable. In all cases, actual performance exceeded the target level of performance under the awards.

## CEO Pay Ratio

We are providing the following information about the ratio for fiscal 2022 of our CEO's total compensation to the total compensation of our median compensated employee (our "CEO pay ratio") pursuant to the SEC's guidance under Item 402(u) of Regulation S-K. The CEO pay ratio disclosed below represents a reasonable good faith estimate, calculated in a manner consistent with SEC rules, based on our payroll and employment records and the methodology described below.

- Our CEO's total annual compensation for fiscal 2022, as reflected in the Summary Compensation Table on page 56, was \$18,859,871.
- Our median employee's total annual compensation for fiscal 2022, calculated using the same methodology we used in the Summary Compensation Table with respect to our named executive officers, was \$99,608.
- The resulting CEO pay ratio for fiscal 2022 is approximately 189:1.

We identified our median employee using our employee population as of April 4, 2022. As of April 4, 2022, we employed 2,223 employees. These employees were located in the United States (2,063), Switzerland (123), United Kingdom (15), Spain (14), Canada (7) and Japan (1). This includes all full-time, part-time, and temporary employees. It does not include independent contractors.

We excluded from the employee population identified above all employees from the United Kingdom, Spain, Canada and Japan. This exclusion is permitted by SEC regulations because the total number of employees from these non-U.S. jurisdictions (37) is less than 5% of our total employee population identified above (2,186). Our remaining employee population was composed of 2,153 employees, of which 2,039 were U.S. employees and 114 were non-U.S. employees.

To determine our median compensated employee from this remaining employee population, we chose target cash compensation as our consistently applied compensation measure. We calculated target cash compensation for each employee by aggregating annual base pay and annual target bonus for fiscal 2022, annualizing pay for those employees who commenced work during fiscal 2022 and any employees who were on leave for a portion of fiscal 2022. For hourly employees, we used a reasonable estimate of hours worked to determine annual base pay. We then identified the median employee by ranking all employees according to the target cash compensation we calculated, from lowest to highest.

After we identified the median employee based on this ranking, we calculated annual total compensation for that employee using the same methodology we used for our named executive officers in the Summary Compensation Table.

The SEC rules for identifying the median compensated employee and calculating the CEO pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions and to make reasonable estimates and assumptions that reflect their compensation practices. As such, the CEO pay ratio reported by other companies, including in our own industry, may not be comparable to the CEO pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own CEO pay ratios.



## REPORT OF THE AUDIT COMMITTEE

*No portion of this Audit Committee report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), through any general statement incorporating by reference in its entirety the proxy statement in which this report appears, except to the extent that the Company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed to be "soliciting material" or filed under either the Securities Act or the Exchange Act.*

The Mercury Systems, Inc. (the "Company") Board of Directors appointed us as an Audit Committee to oversee the Company's accounting and financial reporting processes on behalf of the Board of Directors, including review of the Company's consolidated financial statements, its system of internal controls, and the independence and performance of its internal auditor and independent registered public accounting firm. As an Audit Committee, we select the independent registered public accounting firm. The Audit Committee has robust policies and procedures in place for selecting and monitoring the independent registered public accounting firm and its independence, including: an annual evaluation process; review of auditor and team member qualifications; rotation of lead engagement and concurring partners every five years; hiring restrictions for auditor employees; pre-approval of non-audit services; review of results from internal quality reviews, peer reviews, and Public Company Accounting Oversight Board ("PCAOB") inspections; and private meetings between the Audit Committee and the independent registered public accounting firm throughout the year.

We are governed by a written charter adopted by the Audit Committee and our Board of Directors, which is available through the Investor Relations page of the Company's website at [www.mrcy.com](http://www.mrcy.com).

The Audit Committee consisted of six members, Messrs. Nearhos, Ballhaus, Bass, and O'Brien, and Meses. Disbrow and Plunkett, all non-employee directors. Messrs. Nearhos, Bass, and O'Brien and Ms. Disbrow served on the Committee for the full fiscal year ended July 1, 2022, and Mr. Ballhaus and Ms. Plunkett were appointed to the Committee in June 2022. None of the members of the Audit Committee is an officer or employee of the Company, and the Board of Directors has determined that each member of the Audit Committee meets the independence requirements promulgated by The Nasdaq Stock Market, Inc. and the Securities and Exchange Commission ("SEC"), including Rule 10A-3(b)(1) under the Exchange Act. Messrs. Nearhos, Bass, and O'Brien and Ms. Disbrow are "audit committee financial experts" and Mr. Ballhaus and Ms. Plunkett are "financially literate" as such terms are defined under SEC rules.

The Company's management is responsible for the financial reporting process, including the system of internal controls, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles. The Company's independent registered public accounting firm is responsible for auditing those financial statements. Our responsibility is to monitor and review these processes. However, we are not professionally engaged in the practice of accounting or auditing. We have relied, without independent verification, on the information provided to us and on the representations made by the Company's management and the independent registered public accounting firm.

In fulfilling our oversight responsibilities, we discussed with representatives of KPMG LLP, the independent registered public accounting firm for the Company's fiscal year ended July 1, 2022, the overall scope and plans for their audit of the consolidated financial statements for the fiscal year ended July 1, 2022. At the end of each quarter and financial year, we have met with the Company's independent registered public accounting firm, KPMG LLP, with and without the Company's management present, to discuss the results of their examinations, their evaluations of the Company's internal control over financial reporting and the overall quality of the Company's financial reporting. We reviewed and discussed the audited consolidated financial statements for the fiscal year ended July 1, 2022 with management and the independent registered public accounting firm.

We also reviewed the report of management contained in the Annual Report on Form 10-K for the fiscal year ended July 1, 2022, filed with the SEC, on its assessment of the effectiveness of the Company's internal control over financial reporting, as well as the Reports of the Independent Registered Public Accounting Firm included in the Annual Report on Form 10-K related to KPMG's audit of (i) the consolidated financial statements and (ii) the effectiveness of internal control over financial reporting. We continue to oversee the Company's efforts related to its internal control over financial reporting and management's preparations for the evaluation in the Company's fiscal year ending June 30, 2023.

We discussed with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 1301, *Communications with Audit Committees*, as amended, as adopted by the PCAOB, including a discussion of the Company's accounting principles, the application of those principles, and the other matters required to be discussed with Audit Committees under generally accepted auditing standards.

We have reviewed the permitted services under rules of the SEC as currently in effect and discussed with KPMG their independence from management and the Company, including the matters in the written disclosures and the letter from the independent registered public accounting firm required by the applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence. In evaluating the independence of our independent registered public accountant, we considered whether the services they provided beyond their audit and review of the consolidated financial statements were compatible with maintaining their independence. We also noted that the only fees they received were for audit and audit-related services.

Based on our review and these meetings, discussions and reports, and subject to the limitations on our role and responsibilities referred to above and in the Audit Committee charter, we recommended to the Board of Directors that the audited consolidated financial statements for the fiscal year ended July 1, 2022 be included in the Annual Report on Form 10-K for the fiscal year ended July 1, 2022.

By the Audit Committee of the Board of  
Directors of Mercury Systems, Inc.

Barry R. Nearhos, *Chair*  
William L. Ballhaus  
James K. Bass  
Lisa S. Disbrow  
William K. O'Brien  
Debora A. Plunkett

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed KPMG LLP as the independent registered public accounting firm to audit Mercury's consolidated financial statements for the fiscal year ending June 30, 2023. KPMG served as our independent registered public accounting firm for the fiscal years ended July 1, 2022 and July 2, 2021. A representative of KPMG is expected to be present at the annual meeting of shareholders and will have the opportunity to make a statement if he or she desires and to respond to appropriate questions.

### What were the fees of our independent registered public accounting firm for services rendered to us during the last two fiscal years?

The aggregate fees for professional services rendered to us by KPMG, our independent registered public accounting firm, for the fiscal years ended July 1, 2022 and July 2, 2021 were as follows:

	Fiscal 2022	Fiscal 2021
Audit	\$ 2,666,600	\$ 2,168,600
Audit-Related	—	—
Tax	—	—
All Other	—	—
	<u>\$ 2,666,600</u>	<u>\$ 2,168,600</u>

Audit fees for fiscal years 2022 and 2021 were for professional services provided for the audits of our consolidated financial statements and our internal control over financial reporting, reviews of the consolidated financial statements included in each of our quarterly reports on Form 10-Q, as well as the statutory review of a foreign subsidiary. Audit fees for fiscal years 2022 and 2021 also were for professional services provided for consents issued relating to registration statements in each fiscal year and for the auditor comfort letters provided in connection with the Company's At-The-Market equity distribution agreement in fiscal year 2021.

### What is the Audit Committee's pre-approval policy?

The Audit Committee pre-approves all auditing services and non-audit services provided by our independent registered public accounting firm, but only to the extent that the non-audit services are not prohibited under applicable law and the Committee determines that the non-audit services do not impair the independence of the independent registered public accounting firm.

In situations where it is impractical to wait until the next regularly scheduled quarterly meeting, the Chairman of the Committee has been delegated authority to approve audit and non-audit services to be provided by our independent registered public accounting firm. Fees payable to our independent registered public accounting firm for any specific, individual service approved by the Chairman pursuant to the above-described delegation of authority may not exceed \$100,000, and the Chairman is required to report any such approvals to the full Committee at its next scheduled meeting.

## **HUMAN CAPITAL AND COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During fiscal 2022, Mary Louise Krakauer, Orlando P. Carvalho, and Michael A. Daniels served on the Human Capital and Compensation Committee for the entire fiscal year. Vincent Vitto served on the Committee from the beginning of fiscal 2022 through his term on our Board ending at our 2021 Annual Meeting and Debora A. Plunkett served on the Committee starting with her election to the Board at the 2021 Annual Meeting. Barry R. Nearhos served on the Committee starting immediately after our 2021 Annual Meeting through June 2022. In June 2022, Lisa S. Disbrow and Howard L. Lance joined the Committee. No member of the Committee is a present or former officer or employee of Mercury or any of its subsidiaries or had any business relationship or affiliation with Mercury or any of its subsidiaries (other than his or her service as a director) requiring disclosure in this proxy statement.

## **DELINQUENT SECTION 16(a) REPORTS**

Section 16(a) of the Exchange Act requires our officers and directors and persons beneficially owning more than 10% of our outstanding common stock to file reports of beneficial ownership and changes in beneficial ownership with the SEC. Officers, directors, and beneficial owners of more than 10% of our common stock are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely on copies of such forms furnished as provided above, or written representations that no Forms 5 were required, we believe that during the fiscal year ended July 1, 2022, all Section 16(a) filing requirements applicable to our officers, directors, and beneficial owners of greater than 10% of our common stock were complied with, except that: (i) a Form 4 reporting the award of 3,767 restricted shares on June 23, 2022 to William L. Ballhaus, a new non-employee director, was filed late on June 30, 2022 as a result of a delay in reactivating his EDGAR filing codes; and (ii) a Form 3 reporting the initial ownership as of September 7, 2021 of 0 shares by Thomas Huber, a new executive officer, and a Form 4 reporting the award of 30,236 restricted shares on September 15, 2021 to Thomas Huber were filed late on September 24, 2021 due to a delay in obtaining EDGAR filing codes.

## **SHAREHOLDER PROPOSALS FOR THE 2023 ANNUAL MEETING**

Under regulations adopted by the SEC, any shareholder proposal submitted for inclusion in Mercury's proxy statement relating to the 2023 annual meeting of shareholders must be received at our principal executive offices on or before May 11, 2023. In addition to the SEC requirements regarding shareholder proposals, our by-laws contain provisions regarding matters to be brought before shareholder meetings. If shareholder proposals, including proposals relating to the election of directors, are to be considered at the 2023 annual meeting, notice of them, whether or not they are included in Mercury's proxy statement and form of proxy, must be given by personal delivery or by United States mail, postage prepaid, to the Secretary no earlier than May 29, 2023 and no later than June 28, 2023. The notice must include the information set forth in our by-laws. Proxies solicited by the Board will confer discretionary voting authority with respect to these proposals, subject to SEC rules governing the exercise of this authority.

It is suggested that any shareholder proposal be submitted by certified mail, return receipt requested.

## **OTHER MATTERS**

We know of no matters which may properly be and are likely to be brought before the meeting other than the matters discussed in this proxy statement. However, if any other matters properly come before the meeting, the persons named in the accompanying proxy card will vote in accordance with their best judgment.

**ANNUAL REPORT ON FORM 10-K**

**You may obtain a copy of our annual report on Form 10-K for the fiscal year ended July 1, 2022 (without exhibits) without charge by writing to: Investor Relations, Mercury Systems, Inc., 50 Minuteman Road, Andover, Massachusetts 01810.**

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read 'Christopher C. Cambria', written over a horizontal line.

Christopher C. Cambria  
*Secretary*

Andover, Massachusetts  
September 8, 2022

## Appendix A

### MERCURY SYSTEMS, INC.

#### AMENDED AND RESTATED 2018 STOCK INCENTIVE PLAN

##### SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the Mercury Systems, Inc. 2018 Stock Incentive Plan (the “Plan”). The purpose of the Plan is to encourage and enable the officers, employees, Non-Employee Directors and other key persons (including consultants and qualified individuals who have received offers of employment) of Mercury Systems, Inc. (the “Company”) and its Subsidiaries upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company and to induce qualified individuals who have received offers of employment to enter and remain in the employ of the Company. It is anticipated that providing such persons with a direct stake in the Company’s welfare will assure a closer identification of their interests with those of the Company and its shareholders, thereby stimulating their efforts on the Company’s behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

“*Act*” means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

“*Administrator*” is defined in Section 2(a).

“*Award*” or “*Awards*,” except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Deferred Stock Awards and Restricted Stock Awards.

“*Board*” means the Board of Directors of the Company.

“*Code*” means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

“*Committee*” means the compensation committee of the Board or a similar committee performing the functions of the compensation committee and which is comprised of not less than two Non-Employee Directors who are independent, or the Board as a whole acting as the compensation committee.

“*Deferred Stock Award*” means Awards granted pursuant to Section 8.

“*Effective Date*” means the date on which the Plan is approved by shareholders as set forth in Section 18.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

“*Fair Market Value*” of the Stock on any given date means if the shares of Stock are listed on any national securities exchange, or traded on the National Association of Securities Dealers Automated Quotation System (“Nasdaq”) Global Market or another national securities exchange, the closing price reported on Nasdaq or such other exchange on such date. If the market is closed on such date, the determination shall be made by reference to the last date preceding such date for which the market is open. If the fair market value cannot be determined under the preceding two sentences, it shall be determined in good faith by the Administrator.

“*Incentive Stock Option*” means any Stock Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

“*Non-Employee Director*” means a member of the Board who is not also an employee of the Company or any Subsidiary.

“*Non-Qualified Stock Option*” means any Stock Option that is not an Incentive Stock Option.

“*Option*” or “*Stock Option*” means any option to purchase shares of Stock granted pursuant to Section 5.

“*Performance Cycle*” means one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more performance criteria will be measured for the purpose of determining a grantee’s right to and the payment of an Award.

“*Restricted Stock Award*” means Awards granted pursuant to Section 7.

“*Section 409A*” means Section 409A of the Code and the regulations and other guidance promulgated thereunder.

“*Stock*” means the Common Stock, par value \$0.01 per share, of the Company, subject to adjustments pursuant to Section 3.

“*Stock Appreciation Right*” means any Award granted pursuant to Section 6.

“*Subsidiary*” means any corporation or other entity (other than the Company) in which the Company has a controlling interest, either directly or indirectly.

“*Ten Percent Owner*” means an employee who owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent (10%) of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation.

## SECTION 2. ADMINISTRATION OF PLAN; ADMINISTRATOR AUTHORITY TO SELECT GRANTEES AND DETERMINE AWARDS

(a) Committee. The Plan shall be administered by the Committee (the “Administrator”).

(b) Powers of Administrator. The Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

(i) To select the individuals to whom Awards may from time to time be granted;

(ii) To determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards and Deferred Stock Awards, or any combination of the foregoing, granted to any one or more grantees;

(iii) To determine the number of shares of Stock to be covered by any Award;

(iv) To determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and grantees, and to approve the form of written instruments evidencing the Awards;

(v) Subject to the provisions of Sections 5(h), 6(e), 7(d) and 8(a), to accelerate at any time the exercisability or vesting of all or any portion of any Award;

(vi) Subject to the provisions of Section 5(c) and 6(c), to extend at any time the period in which Stock Options and Stock Appreciation Rights may be exercised; and

(vii) At any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Administrator shall be binding on all persons, including the Company and Plan grantees.

Notwithstanding the foregoing, the Administrator’s power and authority to make grants under the Plan shall be subject to the right of the Board, upon its request, to ratify Awards granted to the Chairman and other individuals specified by the Board, and in such event, the date of grant shall be the date of Board ratification.

(c) Delegation of Authority to Grant Awards. The Administrator, in its discretion, may delegate to the Company’s Chief Executive Officer, Chief Financial Officer, General Counsel, or Chief Human Resources Officer, or any person designated by the Board as an “executive officer” as defined in Rule 3b-7 under the Exchange Act all or part of the Administrator’s authority and duties with respect to the granting of Awards to individuals who are not subject to the reporting and other provisions of Section 16 of the Exchange Act. Any such delegation by the Administrator shall include a limitation as to the amount of Awards that may be granted during the period of the delegation and shall contain guidelines as to the determination of the exercise price of any Stock Option or Stock Appreciation Right, the conversion ratio or price of other Awards and the vesting criteria. The Administrator may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Administrator’s delegate or delegates that were consistent with the terms of the Plan.

(d) Detrimental Activity. Unless the award agreement specifies otherwise, the Administrator may cancel, rescind, suspend, withhold or otherwise limit or restrict any Award (whether vested or unvested, exercised or unexercised) at any time if the recipient is not in compliance with all applicable provisions of the award agreement and the Plan, or if the recipient engages in any “Detrimental Activity.” For purposes of this Section 2, “Detrimental Activity” shall include: (i) the rendering of services for any organization or engaging directly or indirectly in any business which is or becomes competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company; (ii) the disclosure to anyone outside the Company, or the use in other than the Company’s business, without prior written authorization from the Company, of any confidential information or material, as defined in the Company’s employee confidentiality agreement or such other agreement regarding confidential information and intellectual property that the recipient and the Company may enter into (collectively, the “Confidentiality Agreement”), relating to the business of the Company, acquired by the recipient either during or after employment with the Company; (iii) the failure or refusal to disclose promptly and to assign to the Company, pursuant to the Confidentiality Agreement or otherwise, all right, title and interest in any invention or idea, patentable or not, made or conceived by the recipient during employment by the Company, relating in any manner to the actual or anticipated business, research or development work of the Company or the failure or refusal to do anything reasonably necessary to enable the Company to

secure a patent where appropriate in the United States and in other countries; (iv) activity that results in termination of the recipient's employment for cause; (v) a material violation of any rules, policies, procedures or guidelines of the Company; (vi) any attempt directly or indirectly to induce any employee of the Company to be employed or perform services elsewhere or any attempt directly or indirectly to solicit the trade or business of any current or prospective customer, supplier or partner of the Company; or (vii) the recipient being convicted of, or entering a guilty plea with respect to, a crime, whether or not connected with the Company.

(e) Indemnification. Neither the Board nor the Committee, nor any member of either or any delegate thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan, and the members of the Board and the Committee (and any delegate thereof) shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, reasonable attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors' and officers' liability insurance coverage which may be in effect from time to time and/or any indemnification agreement between such individual and the Company.

### SECTION 3. STOCK ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION

(a) Stock Issuable. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 7,862,000, plus the number of shares of Stock reserved and available for issuance under the Mercury Systems, Inc. Amended and Restated 2005 Stock Incentive Plan (the "2005 Stock Incentive Plan") as of the date of shareholder approval of this Plan, subject to adjustment as provided in Section 3(c). For purposes of this limitation, the shares of Stock underlying any Awards that are forfeited, are canceled, expire or are terminated (other than by exercise) under (i) this Plan or (ii) from and after shareholder approval of this Plan, the 2005 Stock Incentive Plan shall be added to the shares of Stock available for issuance under this Plan. Shares tendered or held back upon exercise of an Option or settlement of an Award to cover the exercise price or tax withholding shall not be available for future issuance under the Plan. In addition, upon exercise of Stock Appreciation Rights, the gross number of shares exercised shall be deducted from the total number of shares remaining available for issuance under the Plan. Also, shares purchased in the open market using proceeds received upon the exercise of an Option shall not be available for future issuance under the Plan. Subject to such overall limitations and Section 3(c), shares of Stock may be issued up to such maximum number pursuant to any type or types of Award; provided, however, that Stock Options or Stock Appreciation Rights with respect to no more than 500,000 shares of Stock may be granted to any one individual grantee during any one calendar year period and provided, further, that in no event may Incentive Stock Options granted under the Plan exceed 7,862,000 shares of Stock. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company.

(b) Effect of Awards. The grant of any full value Award (i.e., an Award other than an Option or a Stock Appreciation Right) shall be deemed, for purposes of determining the number of shares available for issuance under Section 3(a), as an Award of two (2) shares of Stock for each such share actually subject to the Award. The grant of an Option or a Stock Appreciation Right shall be deemed, for purposes of determining the number of shares available for issuance under Section 3(a), as an Award of one (1) share of Stock for each such share actually subject to the Award.

(c) Changes in Stock. Subject to Section 3(d) hereof, if, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger or consolidation, sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for a different number or kind of securities of the Company or any successor entity (or a parent or subsidiary thereof), the Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, including the maximum number of shares that may be issued in the form of Incentive Stock Options, (ii) the number of Stock Options or Stock Appreciation Rights that can be granted to any one individual grantee and the maximum number of shares that may be granted under a Performance-based Award, (iii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, (iv) the repurchase price, if any, per share subject to each outstanding Restricted Stock Award, and (v) the price for each share subject to any then outstanding Stock Options and Stock Appreciation Rights under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of Stock Options and Stock Appreciation Rights) as to which such Stock Options and Stock Appreciation Rights remain exercisable. The Administrator shall also make equitable or proportionate adjustments in the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration cash dividends paid other than in the ordinary course or any other extraordinary corporate event. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

(d) Mergers and Other Transactions. In the case of and subject to the consummation of (i) the dissolution or liquidation of the Company, (ii) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (iii) a merger, reorganization or consolidation in which the outstanding shares of Stock are converted into or exchanged for a different kind of securities of the successor entity and the holders of the Company's outstanding voting power immediately prior to such transaction do not own a majority of the outstanding voting power of the successor entity



immediately upon completion of such transaction, or (iv) the sale of all of the Stock of the Company to an unrelated person or entity (in each case, a “Sale Event”), the Plan and all outstanding Awards granted hereunder shall terminate, unless provision is made in connection with the Sale Event in the sole discretion of the parties thereto for the assumption or continuation of Awards theretofore granted by the successor entity, or the substitution of such Awards with new Awards of the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and, if appropriate, the per share exercise prices, as such parties shall agree (after taking into account any acceleration hereunder). In the event of such termination, each grantee shall be permitted, within a specified period of time prior to the consummation of the Sale Event as determined by the Administrator, to exercise all outstanding vested and exercisable Options and Stock Appreciation Rights held by such grantee.

Notwithstanding anything to the contrary in this Section 3(d), in the event of a Sale Event pursuant to which holders of the Stock of the Company will receive upon consummation thereof a cash payment for each share surrendered in the Sale Event, the Company shall have the right, but not the obligation, to make or provide for a cash payment to the grantees holding vested and exercisable Options and Stock Appreciation Rights, in exchange for the cancellation thereof, in an amount equal to the difference between (A) the value as determined by the Administrator of the consideration payable per share of Stock pursuant to the Sale Event (the “Sale Price”) times the number of shares of Stock subject to such outstanding Options and Stock Appreciation Rights (to the extent then exercisable at prices not in excess of the Sale Price) and (B) the aggregate exercise price of all such outstanding Options and Stock Appreciation Rights.

(e) Substitute Awards. The Administrator may grant Awards under the Plan in substitution for stock and stock based awards held by employees, directors or other key persons of another corporation in connection with the merger or consolidation of the employing corporation with the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of property or stock of the employing corporation. The Administrator may direct that the substitute awards be granted on such terms and conditions as the Administrator considers appropriate in the circumstances. Any substitute Awards granted under the Plan shall not count against the share limitation set forth in Section 3(a).

#### SECTION 4. ELIGIBILITY

Grantees under the Plan will be such full- or part-time officers and other employees, Non-Employee Directors and key persons (including consultants and qualified individuals who have received offers of employment) of the Company and its Subsidiaries as are selected from time to time by the Administrator in its sole discretion.

#### SECTION 5. STOCK OPTIONS

(a) Grant of Stock Options. Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any Subsidiary that is a “subsidiary corporation” within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option.

Stock Options granted pursuant to this Section 5(a) shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable. Stock Options may be granted in lieu of cash compensation at the optionee’s election, subject to such terms and conditions as the Administrator may establish. No dividends or dividend equivalents shall be paid on Options.

(b) Exercise Price. The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5(a) shall be determined by the Administrator at the time of grant but shall not be less than 100 percent (100%) of the Fair Market Value on the date of grant.

(c) Option Term. The term of each Stock Option shall be fixed by the Administrator, but no Stock Option shall be exercisable more than seven (7) years after the date the Stock Option is granted.

(d) Exercisability; Rights of a Shareholder. Stock Options shall become exercisable at such time or times, whether or not in installments, as shall be determined by the Administrator at or after the grant date. An optionee shall have the rights of a shareholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(e) Method of Exercise. Stock Options may be exercised in whole or in part, by giving written notice of exercise to the Company, specifying the number of shares to be purchased; provided, however, that no Stock Option may be partially exercised with respect to fewer than 50 (fifty) shares. Payment of the purchase price may be made by one or more of the following methods to the extent provided in the Option Award agreement:

(i) In cash, by certified or bank check or other instrument acceptable to the Administrator;

(ii) Through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the optionee on the open market or that are beneficially owned by the optionee and are not then subject to restrictions under any Company plan. Such surrendered shares shall be valued at Fair Market Value on the exercise date;

(iii) By the optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; or

(iv) By the optionee delivering to the Company a properly executed net exercise notice. Such shares withheld by the Company in the net exercise shall be valued at Fair Market Value on the exercise date.

Payment instruments will be received subject to collection. The transfer to the optionee on the records of the Company or of the transfer agent of the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the optionee (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Option Award agreement or applicable provisions of laws (including the satisfaction of any withholding taxes that the Company is obligated to withhold with respect to the optionee). In the event an optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the optionee upon the exercise of the Stock Option shall be net of the number of shares attested to.

(f) Annual Limit on Incentive Stock Options. To the extent required for “incentive stock option” treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the shares of Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its parent and subsidiary corporations become exercisable for the first time by an optionee during any calendar year shall not exceed one hundred thousand dollars (\$100,000). To the extent that any Stock Option exceeds this limit, it shall constitute a Non-Qualified Stock Option.

(g) Restrictions. Stock Options may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Option Award agreement. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 15 below, in writing after the Award agreement is issued, if any, if a grantee’s employment (or other service relationship) with the Company and its Subsidiaries terminates for any reason, any Stock Options that have not vested at the time of termination shall automatically and without any requirement of notice to such grantee from or other action by or on behalf of, the Company be deemed to have been reacquired by the Company at its original purchase price from such grantee or such grantee’s legal representative simultaneously with such termination of employment (or other service relationship).

(h) Vesting of Stock Options. The Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Stock Options and the Company’s right of repurchase or risk of forfeiture shall lapse. In the event that any such Stock Options granted to employees shall have a performance-based goal, the vesting period with respect to such options shall not be less than one (1) year, and in the event that any such Stock Options granted to employees shall have a time-based restriction, the total vesting period with respect to such options shall not be less than three years; provided, however, that Stock Options granted to employees with a time-based restriction may become vested incrementally over such three-year period. No portion of any Stock Options granted to employees may vest prior to the first anniversary of the grant date. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the rights on which all restrictions have lapsed shall no longer be restricted and shall be deemed “vested.” Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 15 below, in writing after the Award agreement is issued, a grantee’s rights in any Stock Options that have not vested shall automatically terminate upon the grantee’s termination of employment (or other service relationship) with the Company and its Subsidiaries and such options shall be subject to the provisions of Section 5(g) above.

Notwithstanding the foregoing, the Administrator may accelerate the vesting of Stock Options granted to an employee in the case of retirement, death or disability.

## SECTION 6. STOCK APPRECIATION RIGHTS

(a) Nature of Stock Appreciation Rights. A Stock Appreciation Right is an Award entitling the recipient to receive shares of Stock having a value equal to the excess of the Fair Market Value of the Stock on the date of exercise over the exercise price of the Stock Appreciation Right, which price shall not be less than 100 percent of the Fair Market Value of the Stock on the date of grant (or more than the option exercise price per share, if the Stock Appreciation Right was granted in tandem with a Stock Option) multiplied by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised. No dividends or dividend equivalents shall be paid on Stock Appreciation Rights.

(b) Grant and Exercise of Stock Appreciation Rights. Stock Appreciation Rights may be granted by the Administrator in tandem with, or independently of, any Stock Option granted pursuant to Section 5 of the Plan. In the case of a Stock Appreciation Right granted in tandem with a Non-Qualified Stock Option, such Stock Appreciation Right may be granted either at or after the time of the grant of such Option. In the case of a Stock Appreciation Right granted in tandem with an Incentive Stock Option, such Stock Appreciation Right may be granted only at the time of the grant of the Option.

A Stock Appreciation Right or applicable portion thereof granted in tandem with a Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the related Option.

(c) Terms and Conditions of Stock Appreciation Rights. Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined from time to time by the Administrator, subject to the following:

(i) Stock Appreciation Rights granted in tandem with Options shall be exercisable at such time or times and to the extent that the related Stock Options shall be exercisable; provided, however, that no Stock Appreciation Right may be partially exercised with respect to fewer than fifty (50) shares.

(ii) Upon exercise of a Stock Appreciation Right granted in tandem with an Option, the applicable portion of any related Option shall be surrendered.

(iii) The term of a Stock Appreciation Right may not exceed seven (7) years.

(d) Restrictions. Stock Appreciation Rights may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Stock Appreciation Rights Award agreement. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 15 below, in writing after the Award agreement is issued, if any, if a grantee's employment (or other service relationship) with the Company and its Subsidiaries terminates for any reason, any Stock Appreciation Rights that have not vested at the time of termination shall automatically and without any requirement of notice to such grantee from or other action by or on behalf of, the Company be deemed to have been reacquired by the Company at its original purchase price from such grantee or such grantee's legal representative simultaneously with such termination of employment (or other service relationship).

(e) Vesting of Stock Appreciation Rights. The Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Stock Appreciation Rights and the Company's right of repurchase or risk of forfeiture shall lapse. In the event that any such Stock Appreciation Rights granted to employees shall have a performance-based goal, the vesting period with respect to such rights shall not be less than one (1) year, and in the event that any such Stock Appreciation Rights granted to employees shall have a time-based restriction, the total vesting period with respect to such rights shall not be less than three years; provided, however, that Stock Appreciation Rights granted to employees with a time-based restriction may become vested incrementally over such three-year period. No portion of any Stock Appreciation Rights granted to employees may vest prior to the first anniversary of the grant date. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the rights on which all restrictions have lapsed shall no longer be restricted and shall be deemed "vested." Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 15 below, in writing after the Award agreement is issued, a grantee's rights in any Stock Appreciation Rights that have not vested shall automatically terminate upon the grantee's termination of employment (or other service relationship) with the Company and its Subsidiaries and such rights shall be subject to the provisions of Section 6(d) above.

Notwithstanding the foregoing, the Administrator may accelerate the vesting of Stock Appreciation Rights granted to an employee in the case of retirement, death or disability.

#### SECTION 7. RESTRICTED STOCK AWARDS

(a) Nature of Restricted Stock Awards. A Restricted Stock Award is an Award entitling the recipient to acquire, at such purchase price (which may be zero) as determined by the Administrator, shares of Stock subject to such restrictions and conditions as the Administrator may determine at the time of grant ("Restricted Stock"). Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives. The grant of a Restricted Stock Award is contingent on the grantee executing the Restricted Stock Award agreement. The terms and conditions of each such agreement shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees.

(b) Rights as a Shareholder. Upon execution of a written instrument setting forth the Restricted Stock Award and payment of any applicable purchase price, a grantee shall have the rights of a shareholder with respect to the voting of the Restricted Stock, subject to such conditions contained in the written instrument evidencing the Restricted Stock Award. Unless the Administrator shall otherwise determine, (i) uncertificated Restricted Stock shall be accompanied by a notation on the records of the Company or the transfer agent to the effect that they are subject to forfeiture until such Restricted Stock are vested as provided in Section 7(d) below, and (ii) certificated Restricted Stock shall remain in the possession of the Company until such Restricted Stock is vested as provided in Section 7(d) below, and the grantee shall be required, as a condition of the grant, to deliver to the Company such instruments of transfer as the Administrator may prescribe. Cash dividends and stock dividends, if any, with respect to the Restricted Stock shall be withheld by the Company for the grantee's account, and shall be subject to forfeiture to the same degree as the shares of Restricted Stock to which such dividends relate. Except as otherwise determined by the Committee, no interest will accrue or be paid on the amount of any cash dividends withheld.

(c) Restrictions. Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award agreement. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 15 below, in writing after the Award agreement is issued, if any, if a grantee's employment (or other service relationship) with the Company and its Subsidiaries terminates for

any reason, any Restricted Stock that has not vested at the time of termination shall automatically and without any requirement of notice to such grantee from or other action by or on behalf of, the Company be deemed to have been reacquired by the Company at its original purchase price from such grantee or such grantee's legal representative simultaneously with such termination of employment (or other service relationship), and thereafter shall cease to represent any ownership of the Company by the grantee or rights of the grantee as a shareholder. Following such deemed reacquisition of unvested Restricted Stock that are represented by physical certificates, a grantee shall surrender such certificates to the Company upon request without consideration.

(d) Vesting of Restricted Stock. The Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Restricted Stock and the Company's right of repurchase or risk of forfeiture shall lapse. In the event that any such Restricted Stock granted to employees shall have a performance-based goal, the restriction period with respect to such shares shall not be less than one (1) year, and in the event that any such Restricted Stock granted to employees shall have a time-based restriction, the total restriction period with respect to such shares shall not be less than three years; provided, however, that Restricted Stock granted to employees with a time-based restriction may become vested incrementally over such three-year period. No portion of any Restricted Stock granted to employees may vest prior to the first anniversary of the grant date. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Restricted Stock and shall be deemed "vested." Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 15 below, in writing after the Award agreement is issued, a grantee's rights in any shares of Restricted Stock that have not vested shall automatically terminate upon the grantee's termination of employment (or other service relationship) with the Company and its Subsidiaries and such shares shall be subject to the provisions of Section 7(c) above.

Notwithstanding the foregoing, the Administrator may accelerate the vesting of Restricted Stock granted to an employee in the case of retirement, death or disability.

#### SECTION 8. DEFERRED STOCK AWARDS

(a) Nature of Deferred Stock Awards. A Deferred Stock Award is an Award of phantom stock units to a grantee, subject to restrictions and conditions as the Administrator may determine at the time of grant. Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives. The grant of a Deferred Stock Award is contingent on the grantee executing the Deferred Stock Award agreement. The terms and conditions of each such agreement shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees. In the event that any such Deferred Stock Award granted to employees shall have a performance-based goal, the restriction period with respect to such award shall not be less than one (1) year, and in the event any such Deferred Stock Award shall have a time-based restriction, the total restriction period with respect to such award shall not be less than three (3) years; provided, however, that any Deferred Stock Award with a time-based restriction may become vested incrementally over such three (3) year period. No portion of any Deferred Stock Award granted to employees may vest prior to the first anniversary of the grant date. At the end of the deferral period, the Deferred Stock Award, to the extent vested, shall be paid to the grantee in the form of shares of Stock.

Notwithstanding the foregoing, the Administrator may accelerate the vesting of a Deferred Stock Award granted to an employee in the case of retirement, death or disability.

(b) Election to Receive Deferred Stock Awards in Lieu of Compensation. The Administrator may, in its sole discretion, permit a grantee to elect to receive a portion of future cash compensation otherwise due to such grantee in the form of a Deferred Stock Award. Any such election shall be made in writing and shall be delivered to the Company no later than the date specified by the Administrator and in accordance with Section 409A and such other rules and procedures established by the Administrator. The Administrator shall have the sole right to determine whether and under what circumstances to permit such elections and to impose such limitations and other terms and conditions thereon as the Administrator deems appropriate. Any deferred compensation shall be converted to a fixed number of phantom stock units based on the Fair Market Value of Stock on the date the compensation would otherwise have been paid but for the deferral.

(c) Rights as a Shareholder. During the deferral period, a grantee shall have no rights as a shareholder; provided, however, that the grantee may be credited with dividend equivalent rights with respect to the phantom stock units underlying his Deferred Stock Award, subject to such terms and conditions as the Administrator may determine, but shall not be entitled to dividends, if any, or dividend equivalents prior to settlement.

(d) Termination. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 15 below, in writing after the Award agreement is issued, a grantee's right in all Deferred Stock Awards that have not vested shall automatically terminate upon the grantee's termination of employment (or cessation of service relationship) with the Company and its Subsidiaries for any reason.

#### SECTION 9. PERFORMANCE-BASED AWARDS

(a) Performance Criteria. The performance criteria used in performance goals governing Performance-based Awards may include any or all of the following criteria at the Company, Subsidiary, business unit or business segment level as

appropriate: (i) the Company's return on equity, assets, capital or investment; (ii) pre-tax or after-tax profit levels or EBITDA or adjusted EBITDA; (iii) bookings or revenue growth; (iv) bookings or revenues; (v) operating income as a percentage of sales; (vi) total shareholder return; (vii) changes in the market price of the Stock; (viii) sales or market share; (ix) earnings per share; (x) improvements in operating margins; (xi) operating cash flow or free cash flow; (xii) working capital improvements; (xiii) design wins or entering into contracts with key customers; and (xiv) any combination of such performance metrics, comparisons of such performance metrics to corresponding metrics used by other companies or comparison of such performance metrics to industry data.

(b) Grant of Performance-based Awards. With respect to each Performance-based Award, the Committee shall select, within the first ninety (90) days of a Performance Cycle the performance criteria for such grant, and the achievement targets with respect to each performance criterion (including a threshold level of performance below which no amount will become payable with respect to such Award). Each Performance-based Award will specify the amount payable, or the formula for determining the amount payable, upon achievement of the various applicable performance targets. The performance criteria established by the Committee may be (but need not be) different for each Performance Cycle and different goals may be applicable to Performance-based Awards to different grantees.

(c) Payment of Performance-based Awards. Following the completion of a Performance Cycle, the Committee shall meet to review and certify in writing whether, and to what extent, the performance criteria for the Performance Cycle have been achieved and, if so, to also calculate and certify in writing the amount of the Performance-based Awards earned for the Performance Cycle. The Committee shall then determine the actual size of each grantee's Performance-based Award.

#### SECTION 10. TRANSFERABILITY OF AWARDS

(a) Transferability. Except as provided in Section 10(b) below, during a grantee's lifetime, his or her Awards shall be exercisable only by the grantee, or by the grantee's legal representative or guardian in the event of the grantee's incapacity. No Awards shall be sold, assigned, transferred or otherwise encumbered or disposed of by a grantee other than by will or by the laws of descent and distribution or pursuant to a domestic relations order. No Awards shall be subject, in whole or in part, to attachment, execution, or levy of any kind, and any purported transfer in violation hereof shall be null and void.

(b) Committee Action. Notwithstanding Section 10(a), the Administrator, in its discretion, may provide either in the Award agreement regarding a given Award or by subsequent written approval that the grantee (who is an employee or director) may transfer his or her Awards (other than any Incentive Stock Options) to his or her immediate family members, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Award.

(c) Family Member. For purposes of Section 10(b), "family member" shall mean a grantee's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the grantee's household (other than a tenant of the grantee), a trust in which these persons (or the grantee) have more than fifty percent (50%) of the beneficial interest, a foundation in which these persons (or the grantee) control the management of assets, and any other entity in which these persons (or the grantee) own more than fifty percent (50%) of the voting interests.

(d) Designation of Beneficiary. Each grantee to whom an Award has been made under the Plan may designate a beneficiary or beneficiaries to exercise any Award or receive any payment under any Award payable on or after the grantee's death. Any such designation shall be on a form provided for that purpose by the Administrator and shall not be effective until received by the Administrator. If no beneficiary has been designated by a deceased grantee, or if the designated beneficiaries have predeceased the grantee, the beneficiary shall be the grantee's estate.

#### SECTION 11. TAX WITHHOLDING

(a) Payment by Grantee. Each grantee shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the grantee for federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any federal, state, or local taxes of any kind required or permitted by law to be withheld by the Company with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the grantee. The Company's obligation to deliver evidence of book entry (or stock certificates) to any grantee is subject to and conditioned on tax withholding obligations being satisfied by the grantee.

(b) Payment in Stock. Subject to approval by the Administrator, depending on the withholding method, a grantee may elect to have such grantee's tax withholding obligation satisfied at the minimum or other applicable withholding rate in the grantee's applicable jurisdiction, including maximum applicable rates that may be utilized without creating adverse accounting treatment under Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor pronouncement thereto) and permitted under applicable withholding rules promulgated by the Internal Revenue Service or another applicable governmental entity, in whole or in part, by (i) authorizing the Company to withhold from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is

effected) that would satisfy such withholding amount, or (ii) transferring to the Company shares of Stock owned by the grantee with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy such withholding amount.

## SECTION 12. CHANGE OF CONTROL

(a) Occurrence of Change of Control. If within six months following the consummation of a Change of Control of the Company, as defined in Section 12(b)(i), the employment of a grantee with a minimum of six months of service with the Company or any of its Subsidiaries as of the effective date of such Change of Control (the "Effective Date") is involuntarily terminated, then (i) if such Change of Control does not constitute a Sale Event, 100% of the unvested Awards of such grantee will automatically be fully vested, (ii) if such Change of Control constitutes a Sale Event and provision is made for the assumption or continuation of Awards hereunder, or the substitution of such Awards with new Awards of the successor entity or parent thereof, 100% of the unvested assumed, continued or substituted Awards will automatically be fully vested, and (iii) if such Change of Control constitutes a Sale Event and provision is not made for the assumption, continuation or substitution of Awards hereunder, such that all of the unvested Awards of such grantee terminated upon consummation of the Sale Event without any payment with respect thereto, the grantee will be entitled to receive a cash payment equal to the difference between (x) the Sale Price multiplied by the number of shares of Stock subject to 100% of such grantee's unvested Awards as of the consummation of the Sale Event and (y) the aggregate exercise price of such unvested Awards. Notwithstanding the foregoing, in the event that the fair market value (less any exercise price) of the Awards subject to automatic vesting or any cash payment to which the grantee may become entitled in accordance with the preceding sentence exceeds \$25,000 as of the date of termination of employment, then such vesting or payment shall be conditioned upon the grantee executing and failing to revoke during any applicable revocation period a general release of all claims against the Company and its Subsidiaries and affiliates in a form acceptable to the Company or its successor within 60 days of such termination. For purposes hereof, a grantee's employment with the Company or any Subsidiary is considered "involuntarily terminated" if the Company or any Subsidiary terminates such grantee's employment with the Company or such Subsidiary without Cause, as defined in Section 12(b)(ii), or such grantee resigns his or her employment with the Company or such Subsidiary for Good Reason, as defined in Section 12(b)(iii). Notwithstanding the foregoing, in the event the Change of Control of the Company is not approved by the Board of Directors, all of the outstanding Awards will automatically become fully vested upon the consummation of the Change of Control of the Company. Further, all of the outstanding Awards held by Non-Employee Directors will automatically become fully vested upon the consummation of a Change of Control of the Company.

(b) Definitions. For purposes of the Plan:

(i) A "Change of Control of the Company" shall be deemed to have occurred by the Committee, in its sole discretion, upon the occurrence of any of the following events:

(A) Any "Person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any of its subsidiaries, or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its subsidiaries), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Exchange Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities having the right to vote in an election of the Company's Board of Directors ("Voting Securities") (in such case other than as a result of an acquisition of securities directly from the Company or an acquisition of securities involving a Corporate Transaction of the type described in the exclusion set forth in clause (C) below); or

(B) Persons who, as of the date hereof, constitute the Company's Board of Directors (the "Incumbent Directors") cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board, provided that any person becoming a director of the Company subsequent to the date hereof shall be considered an Incumbent Director if such person's election was approved by or such person was nominated for election by either (x) a vote of at least a majority of the Incumbent Directors or (y) a vote of at least a majority of the Incumbent Directors who are members of a nominating committee comprised, in the majority, of Incumbent Directors; but provided further, that any such person whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of members of the Board of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, including by reason of agreement intended to avoid or settle any such actual or threatened contest or solicitation, shall not be considered an Incumbent Director; or

(C) The consummation of a consolidation, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Corporate Transaction"); excluding, however, a Corporate Transaction in which the shareholders of the Company immediately prior to the Corporate Transaction, would, immediately after the Corporate Transaction, beneficially own (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, shares representing in the aggregate more than fifty percent (50%) of the voting shares of the corporation issuing cash or securities in the Corporate Transaction (or of its ultimate parent corporation, if any).

Notwithstanding the foregoing, (i) a "Change of Control of the Company" shall not be deemed to have occurred for purposes of the foregoing clause (A) solely as the result of an acquisition of securities by the Company that, by reducing the number of shares of Voting Securities outstanding, increases the proportionate number of shares of Voting Securities beneficially owned by any person to thirty percent (30%) or more of the combined voting power of all then

outstanding Voting Securities; provided, however, that if any person referred to in this sentence shall thereafter become the beneficial owner of any additional shares of Voting Securities (other than pursuant to a stock split, stock dividend, or similar transaction or as a result of an acquisition of securities directly from the Company) and immediately thereafter beneficially owns thirty percent (30%) or more of the combined voting power of all then outstanding Voting Securities, then a “Change of Control of the Company” shall be deemed to have occurred for purposes of the foregoing clause (A) and (ii) for any Awards subject to the requirements of Section 409A of the Code that will become payable on a Change of Control of the Company, the transaction constituting a “Change of Control” must also constitute a “change in control event” for purposes of Section 409A(a)(2)(A)(v) of the Code.

(ii) “Cause” shall mean (A) conduct by the grantee constituting a material act of willful misconduct in connection with the performance of his or her duties, including, without limitation, misappropriation of funds or property of the Company or any of its Subsidiaries other than the occasional, customary and de minimis use of the Company or its Subsidiaries’ property for personal purposes; (B) the commission by the grantee of any felony or a misdemeanor involving moral turpitude, deceit, dishonesty or fraud, or any conduct by the grantee that would reasonably be expected to result in material injury to the Company or any of its Subsidiaries; (C) the grantee’s willful and continued failure to perform his or her duties with the Company and its Subsidiaries (other than any failure resulting from incapacity due to physical or mental illness), which continues thirty (30) days after a written demand of performance is delivered to the grantee by any Senior Vice President or Vice President of the Company, which identifies the manner in which such person believes that the grantee has not performed his or her duties; (D) a violation by the grantee of the employment policies of the Company and its Subsidiaries which has continued following written notice of such violation from any Senior Vice President or Vice President of the Company; or (E) the grantee’s willful failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Company or any of its Subsidiaries to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the willful inducement of others to fail to cooperate or to produce documents or other materials.

(iii) “Good Reason” shall mean (A) a reduction in the grantee’s annual cash base salary as in effect on the Effective Date, except for across-the-board reductions similarly affecting all or substantially all Company employees; or (B) a relocation whereby the Company or any Subsidiary requires the grantee to be principally based at any office or location that is more than fifty (50) miles from the grantee’s office on the Effective Date; provided that the reasons set forth above will not constitute “Good Reason” unless, within thirty (30) days after the first occurrence of such Good Reason event, the grantee shall have given written notice to the Company specifically identifying the event that the grantee believes constitutes Good Reason and the Company, or, if applicable, its Subsidiary, has not remedied such event within a reasonable cure period of not less than thirty (30) days after the Company’s receipt of such notice.

#### SECTION 13. Additional Conditions Applicable to Nonqualified Deferred Compensation Under Section 409A.

In the event any Stock Option or Stock Appreciation Right under the Plan is granted with an exercise price of less than one hundred percent (100%) of the Fair Market Value on the date of grant (regardless of whether or not such exercise price is intentionally or unintentionally priced at less than Fair Market Value), or such grant is materially modified and deemed a new grant at a time when the Fair Market Value exceeds the exercise price, or any other Award is otherwise determined to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (a “409A Award”), the following additional conditions shall apply and shall supersede any contrary provisions of this Plan or the terms of any agreement relating to such 409A Award.

(a) Exercise and Distribution. Except as provided in Section 13(b) hereof, no 409A Award shall be exercisable or distributable earlier than upon one of the following:

(i) Specified Time. A specified time or a fixed schedule set forth in the written instrument evidencing the 409A Award.

(ii) Separation from Service. Separation from service (within the meaning of Section 409A) by the 409A Award grantee; provided, however, that if the 409A Award grantee is a “key employee” (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) and any of the Company’s Stock is publicly traded on an established securities market or otherwise, exercise or distribution under this Section 13(a)(ii) may not be made before the date that is six months after the date of separation from service.

(iii) Death. The date of death of the 409A Award grantee.

(iv) Disability. The date the 409A Award grantee becomes disabled (within the meaning of Section 13(c)(ii) hereof).

(v) Unforeseeable Emergency. The occurrence of an unforeseeable emergency (within the meaning of Section 13(c)(iii) hereof), but only if the net value (after payment of the exercise price) of the number of shares of Stock that become issuable does not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the exercise, after taking into account the extent to which the emergency is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the grantee’s other assets (to the extent such liquidation would not itself cause severe financial hardship).

(vi) Change of Control Event. The occurrence of a Change of Control Event (within the meaning of Section 13(c)(i) hereof), including the Company's discretionary exercise of the right to accelerate vesting of such grant upon a Change of Control Event or to terminate the Plan or any 409A Award granted hereunder within twelve (12) months of the Change of Control Event.

(b) No Acceleration. A 409A Award may not be accelerated or exercised prior to the time specified in Section 13(a) hereof, except in the case of one (1) of the following events:

(i) Domestic Relations Order. The 409A Award may permit the acceleration of the exercise or distribution time or schedule to an individual other than the grantee as may be necessary to comply with the terms of a domestic relations order (as defined in Section 414(p)(1)(B) of the Code).

(ii) Conflicts of Interest. The 409A Award may permit the acceleration of the exercise or distribution time or schedule as may be necessary to comply with the terms of a certificate of divestiture (as defined in Section 1043(b)(2) of the Code).

(iii) Change of Control Event. The Administrator may exercise the discretionary right to accelerate the vesting of such 409A Award upon a Change of Control Event or to terminate the Plan or any 409A Award granted thereunder within twelve (12) months of the Change of Control Event and cancel the 409A Award for compensation.

(c) Definitions. Solely for purposes of this Section 13 and not for other purposes of the Plan, the following terms shall be defined as set forth below:

(i) "Change of Control Event" means the occurrence of a change in the ownership of the Company, a change in effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company (as defined in regulations promulgated under Section 409A).

(ii) "Disabled" means a grantee who (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 (twelve) months, or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) (twelve) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Company or its Subsidiaries.

(iii) "Unforeseeable Emergency" means a severe financial hardship to the grantee resulting from an illness or accident of the grantee, the grantee's spouse, or a dependent (as defined in Section 152(a) of the Code) of the grantee, loss of the grantee's property due to casualty, or similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the grantee.

#### SECTION 14. TRANSFER, LEAVE OF ABSENCE, ETC.

For purposes of the Plan, the following events shall not be deemed a termination of employment:

(a) A transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another; or

(b) An approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

#### SECTION 15. AMENDMENTS AND TERMINATION

- a. Amendments in General. The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. Except as provided in Section 3(c) or 3(d), in no event may the Administrator exercise its discretion to reduce the exercise price of outstanding Stock Options or Stock Appreciation Rights, effect repricing through cancellation and re-grants, or repurchase out-of-the-money Stock Options or Stock Appreciation Rights for cash, unless the Administrator proposes for shareholder vote, and shareholders approve, such reduction, cancellation and re-grant, repricing, or repurchase. Any material Plan amendments (other than amendments that curtail the scope of the Plan), including any Plan amendments that (i) increase the number of shares reserved for issuance under the Plan, (ii) expand the type of Awards available under, materially expand the eligibility to participate in, or materially extend the term of, the Plan, or (iii) materially change the method of determining Fair Market Value, shall be subject to approval by the Company shareholders entitled to vote at a meeting of shareholders. In addition, to the extent determined by the Administrator to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code or to ensure that compensation earned under Awards qualifies as performance-based compensation under Section 162(m) of the Code, Plan amendments shall be subject to approval by the Company shareholders entitled to



vote at a meeting of shareholders. Nothing in this Section 15 shall limit the Administrator's authority to take any action permitted pursuant to Section 3(c) or 3(d).

- a. No Repricing of Awards Without Stockholder Approval. Notwithstanding any other provision of the Plan, the repricing of Awards shall not be permitted without stockholder approval. For this purpose, a "repricing" means any of the following (or any other action that has the same effect as any of the following): (1) changing the terms of an Award to lower its exercise or base price (other than on account of capital adjustments resulting from share splits, etc., as described herein), (2) any other action that is treated as a repricing under GAAP, and (3) repurchasing for cash or canceling an Award in exchange for another Award at a time when its exercise or base price is greater than the Fair Market Value of the underlying share of Stock, unless the cancellation and exchange occurs in connection with an event set forth in Section 3 hereof.

With respect to the portion of any Award that has not been exercised and any payments in cash, Stock or other consideration not received by a grantee, a grantee shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

#### SECTION 16. GENERAL PROVISIONS

(a) No Distribution; Compliance with Legal Requirements. The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

No shares of Stock shall be issued pursuant to an Award until all applicable securities law and other legal and stock exchange or similar requirements have been satisfied. The Administrator may require the placing of such stop-orders and restrictive legends on certificates for Stock and Awards as it deems appropriate.

(b) Delivery of Stock Certificates. Stock certificates to grantees under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the grantee, at the grantee's last known address on file with the Company. Uncertificated Stock shall be deemed delivered for all purposes when the Company or a Stock transfer agent of the Company shall have given to the grantee by electronic mail (with proof of receipt) or by United States mail, addressed to the grantee, at the grantee's last known address on file with the Company, notice of issuance and recorded the issuance in its records (which may include electronic "book entry" records). Stock Certificates or uncertificated Stock for any Restricted Stock Award shall be delivered to the Secretary of the Company to be held in escrow until the Award becomes vested.

(c) Other Compensation Arrangements; No Employment Rights. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any employee any right to continued employment with the Company or any Subsidiary.

(d) Trading Policy Restrictions. Option exercises and other Awards under the Plan shall be subject to such Company's applicable insider trading policy and procedures, as in effect from time to time.

(e) Grantees Outside of the United States. The Committee may modify the terms of any Award under the Plan made to or held by a grantee who is then a resident, or is primarily employed or providing services, outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, and customs of the country in which the grantee is then a resident or primarily employed or providing services, or so that the value and other benefits of the Award to the grantee, as affected by non-U.S. tax laws and other restrictions applicable as a result of the grantee's residence, employment, or providing services abroad, shall be comparable to the value of such Award to a grantee who is a resident, or is primarily employed or providing services, in the United States. An Award may be modified under this Section 17(e) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation or result in actual liability under Section 16(b) of the Exchange Act for the grantee whose Award is modified. Additionally, the Committee may adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Eligible Persons who are non-U.S. nationals or are primarily employed or providing services outside the United States.

(f) Data Privacy. As a condition of receipt of any Award, each grantee explicitly and unambiguously consents to the collection, use, and transfer, in electronic or other form, of personal data as described in this Section 17(f) by and among, as applicable, the Company and its Affiliates for the exclusive purpose of implementing, administering, and managing the Plan and Awards and the grantee's participation in the Plan. In furtherance of such implementation, administration, and management, the Company and its Affiliates may hold certain personal information about a grantee, including, but not limited to, the grantee's name, home address, telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title(s), information regarding any securities of the Company or any of its Affiliates, and details of all Awards (the "Data"). In addition to transferring the Data amongst themselves as necessary for the

purpose of implementation, administration, and management of the Plan and Awards and the grantee's participation in the Plan, the Company and its Affiliates may each transfer the Data to any third parties assisting the Company in the implementation, administration, and management of the Plan and Awards and the grantee's participation in the Plan. Recipients of the Data may be located in the grantee's country or elsewhere, and the grantee's country and any given recipient's country may have different data privacy laws and protections. By accepting an Award, each grantee authorizes such recipients to receive, possess, use, retain, and transfer the Data, in electronic or other form, for the purposes of assisting the Company in the implementation, administration, and management of the Plan and Awards and the grantee's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Company or the grantee may elect to deposit any shares of Stock. The Data related to a grantee will be held only as long as is necessary to implement, administer, and manage the Plan and Awards and the grantee's participation in the Plan. A grantee may, at any time, view the Data held by the Company with respect to such grantee, request additional information about the storage and processing of the Data with respect to such grantee, recommend any necessary corrections to the Data with respect to the grantee, or refuse or withdraw the consents herein in writing, in any case without cost, by contacting his or her local human resources representative. The Company may cancel the grantee's eligibility to participate in the Plan, and in the Committee's discretion, the grantee may forfeit any outstanding Awards if the grantee refuses or withdraws the consents described herein. For more information on the consequences of refusal to consent or withdrawal of consent, grantees may contact their local human resources representative.

#### SECTION 17. EFFECTIVE DATE OF PLAN

This Plan shall become effective upon approval by the holders of a majority of the votes cast at a meeting of shareholders at which a quorum is present. Subject to such approval by the shareholders and to the requirement that no Stock may be issued hereunder prior to such approval, Stock Options and other Awards may be granted hereunder on and after adoption of this Plan by the Board. No grants of Stock Options and other Awards may be made hereunder after July 23, 2028 and no grants of Incentive Stock Options may be made hereunder after the tenth (10th) anniversary of the date the Plan is approved by the Board.

#### SECTION 18. GOVERNING LAW

This Plan and all Awards and actions taken thereunder shall be governed by, and construed in accordance with, the laws of the Commonwealth of Massachusetts, applied without regard to conflict of law principles.

DATE INITIALLY APPROVED BY BOARD OF DIRECTORS: July 23, 2018

DATE INITIALLY APPROVED BY SHAREHOLDERS: October 24, 2018

DATE RESTATEMENT APPROVED BY BOARD OF DIRECTORS: January 22, 2019

DATE RESTATEMENT APPROVED BY BOARD OF DIRECTORS: August 31, 2020

DATE RESTATEMENT APPROVED BY SHAREHOLDERS: October 28, 2020

DATE RESTATEMENT APPROVED BY BOARD OF DIRECTORS: July 28, 2021

DATE RESTATEMENT APPROVED BY BOARD OF DIRECTORS: July 26, 2022

DATE RESTATEMENT APPROVED BY SHAREHOLDERS:

## Appendix B

### Reconciliation of Non-GAAP Measures to GAAP Measures

The Company defines adjusted EBITDA as income before other non-operating adjustments, interest income and expense, income taxes, depreciation, amortization of intangible assets, restructuring and other charges, impairment of long-lived assets, acquisition, financing and other third party costs, fair value adjustments from purchase accounting, litigation and settlement income and expense, COVID related expenses, and stock-based and other non-cash compensation expense. The adjustments to calculate this non-GAAP financial measure, and the basis for such adjustments, are outlined below:

- *Other non-operating adjustments.* The Company records other non-operating adjustments such as gains or losses on foreign currency remeasurement, investments and fixed asset sales or disposals among other adjustments. These adjustments may vary from period to period without any direct correlation to underlying operating performance.
- *Interest income and expense.* The Company receives interest income on investments and incurs interest expense on loans, capital leases and other financing arrangements. These amounts may vary from period to period due to changes in cash and debt balances and interest rates driven by general market conditions or other circumstances outside of the normal course of the Company's operations.
- *Income taxes.* The Company's GAAP tax expense can fluctuate materially from period to period due to tax adjustments that are not directly related to underlying operating performance or to the current period of operations.
- *Depreciation.* The Company incurs depreciation expense related to capital assets purchased to support the ongoing operations of the business. These assets are recorded at cost or fair value and are depreciated using the straight-line method over the useful life of the asset. Purchases of such assets may vary significantly from period to period and without any direct correlation to underlying operating performance.
- *Amortization of intangible assets.* The Company incurs amortization of intangible assets primarily as a result of acquired intangible assets such as backlog, customer relationships and completed technologies but also due to licenses, patents and other arrangements. These intangible assets are valued at the time of acquisition or upon receipt of right to use the asset, amortized over the requisite life and generally cannot be changed or influenced by management after acquisition.
- *Restructuring and other charges.* The Company incurs restructuring and other charges in connection with management's decisions to undertake certain actions to realign operating expenses through workforce reductions and the closure of certain Company facilities, businesses and product lines. The Company's adjustments reflected in restructuring and other charges are typically related to acquisitions and organizational redesign programs initiated as part of discrete post-acquisition integration activities. Management believes these items are non-routine and may not be indicative of ongoing operating results.
- *Impairment of long-lived assets.* The Company incurs impairment charges of long-lived assets based on events that may or may not be within the control of management. Management believes these items are outside the normal operations of the Company's business and are not indicative of ongoing operating results.
- *Acquisition, financing and other third party costs.* The Company incurs transaction costs related to acquisition and potential acquisition opportunities, such as legal, accounting, and other third party advisory fees. The Company may also incur third-party costs, such as legal, banking, communications, proxy solicitation, and other third party advisory fees in connection with engagements by activist investors or unsolicited acquisition offers. Although the Company may incur such third-party costs and other related charges and adjustments, it is not indicative that any transaction will be consummated. Additionally, the Company incurs unused revolver and bank fees associated with maintaining its credit facility as well as non-cash financing expenses associated with obtaining its credit facility. Management believes these items are outside the normal operations of the Company's business and are not indicative of ongoing operating results.
- *Fair value adjustments from purchase accounting.* As a result of applying purchase accounting rules to acquired assets and liabilities, certain fair value adjustments are recorded in the opening balance sheet of acquired companies. These adjustments are then reflected in the Company's income statements in periods subsequent to the acquisition. In addition, the impact of any changes to originally recorded contingent consideration amounts are reflected in the income statements in the period of the change. Management believes these items are outside the normal operations of the Company and are not indicative of ongoing operating results.
- *Litigation and settlement income and expense.* The Company periodically receives income and incurs expenses related to pending claims and litigation and associated legal fees and potential case settlements and/or judgments. Although the Company may incur such costs and other related charges and adjustments, it is not indicative of any

particular outcome until the matter is fully resolved. Management believes these items are outside the normal operations of the Company's business and are not indicative of ongoing operating results. The Company periodically receives warranty claims from customers and makes warranty claims towards its vendors and supply chain. Management believes the expenses and gains associated with these recurring warranty items are within the normal operations and operating cycle of the Company's business. Therefore, management deems no adjustments are necessary unless under extraordinary circumstances.

- *COVID related expenses.* The Company incurred costs associated with the COVID pandemic. These costs relate primarily to enhanced compensation and benefits for employees as well as incremental supplies and services to support social distancing and mitigate the spread of COVID. These costs include expanded sick pay related to COVID, overtime, the Mercury Employee COVID Relief Fund, meals and other compensation-related expenses as well as ongoing testing for onsite employees. Management believes these items are outside the normal operations of the Company and are not indicative of ongoing operating results.
- *Stock-based and other non-cash compensation expense.* The Company incurs expense related to stock-based compensation included in its GAAP presentation of cost of revenues, selling, general and administrative expense and research and development expense. The Company also incurs non-cash based compensation in the form of pension related expenses. Although stock-based and other non-cash compensation is an expense of the Company and viewed as a form of compensation, these expenses vary in amount from period to period, and are affected by market forces that are difficult to predict and are not within the control of management, such as the market price and volatility of the Company's shares, risk-free interest rates and the expected term and forfeiture rates of the awards, as well as pension actuarial assumptions. Management believes that exclusion of these expenses allows comparisons of operating results to those of other companies, both public, private or foreign, that disclose non-GAAP financial measures that exclude stock-based compensation and other non-cash compensation.

Below is a reconciliation between adjusted EBITDA and the most comparable GAAP financial measure, net income.

<b>(in thousands)</b>	<b>Fiscal 2022</b>
Net income (loss)	\$ 11,275
Other non-operating adjustments, net	2,932
Interest expense, net	5,663
Income tax provision (benefit)	7,120
Depreciation	33,150
Amortization of intangible assets	60,267
Restructuring and other charges	27,445
Impairment of long-lived assets	—
Acquisition, financing and other third party costs	13,608
Fair value adjustments from purchase accounting	(2,009)
Litigation and settlement (income) expense, net	1,908
COVID related expenses	689
Stock-based and other non-cash compensation expense	38,459
Adjusted EBITDA	<u>\$ 200,507</u>

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By and For People Who Matter

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on October 26, 2022: The Notice of Annual Meeting, Proxy Statement and 2022 Annual Report to Shareholders are available at: [www.edocumentview.com/MRCY](http://www.edocumentview.com/MRCY).**

	<b>Small steps make an impact.</b> Help the environment by consenting to receive electronic delivery, sign up at <a href="http://www.envisionreports.com/MRCY">www.envisionreports.com/MRCY</a>	
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▼ IF VOTING BY MAIL, SIGN, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. ▼

## Proxy – Mercury Systems, Inc.



### THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Mark Aslett, Christopher C. Cambria, and Michael D. Ruppert, and each of them singly, with full power of substitution, proxies to represent the undersigned at the Annual Meeting of Shareholders of Mercury Systems, Inc. to be held on October 26, 2022 at 10:00 a.m., local time, and at any adjournments or postponements thereof, to vote in the name and place of the undersigned, with all powers which the undersigned would possess if personally present, upon the proposals set forth on the reverse side of this proxy card.

The undersigned hereby acknowledge(s) receipt of a copy of the accompanying Notice or the Annual Meeting of Shareholders and the Proxy Statement with respect thereto and hereby revoke(s) any proxy or proxies heretofore given.

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, THE SHARES REPRESENTED WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR PROPOSALS 2, 3, 4 AND 5, AND IN ACCORDANCE WITH THE PROXIES' DISCRETION ON SUCH OTHER BUSINESS THAT MAY PROPERLY COME BEFORE THE MEETING.**

**PLEASE VOTE, DATE AND SIGN THIS PROXY IN THE SPACE PROVIDED AND RETURN IT IN THE ENCLOSED ENVELOPE.**

### **C** Non-Voting Items

**Change of Address** – Please print new address below.

**Comments** – Please print your comments below.

