

AIR INDUSTRIES GROUP
Form PRER14A
September 15, 2016

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

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Revised 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 Section 240.14a-12

AIR INDUSTRIES GROUP
(Name of Registrant as Specified In Its Charter)

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

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(3) Filing Party:

(4) Date Filed:

AIR INDUSTRIES GROUP
360 Motor Parkway, Suite 100
Hauppauge, New York 11788

October 6, 2016

Dear Stockholders:

On behalf of the Board of Directors, you are cordially invited to attend the 2016 Annual Meeting of Stockholders of Air Industries Group. The Annual Meeting will be held on Tuesday, November 15, 2016 at 10:00 a.m. Eastern Time at the offices of Air Industries Group, 360 Motor Parkway, Suite 100, Hauppauge, New York 11788. The formal Notice of Annual Meeting is set forth in the enclosed material.

The matters expected to be acted upon at the Annual Meeting are described in the attached Proxy Statement. At the Annual Meeting, stockholders will have the opportunity to ask questions and comment on our business operations.

It is important that your views be represented. If you request a proxy card, please mark, sign and date the proxy card when received and return it promptly in the self-addressed, stamped envelope we will provide. No postage is required if this envelope is mailed in the United States. You also have the option of voting your proxy via the Internet at www.proxyvote.com or by calling toll free via a touch-tone phone at 1-800-690-6903. Proxies submitted by telephone or over the Internet must be received by 11:59 p.m. Eastern Time on November 14, 2016. Although we encourage you to complete and return a proxy prior to the Annual Meeting to ensure that your vote is counted, you can attend the Annual Meeting and cast your vote in person. If you vote by proxy and also attend the Annual Meeting, there is no need to vote again at the Annual Meeting unless you wish to change your vote.

We appreciate your investment in Air Industries Group and urge you to cast your vote as soon as possible.

Sincerely,

Daniel R. Godin
President and Chief Executive
Officer

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AIR INDUSTRIES GROUP
360 Motor Parkway, Suite 100
Hauppauge, NY 11788

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The 2016 Annual Meeting of Stockholders of Air Industries Group will be held at the offices of Air Industries Group, 360 Motor Parkway, Suite 100, Hauppauge, New York 11788 on Tuesday, November 15, 2016 beginning at 10:00 a.m. Eastern Time for the following purposes:

1. to elect seven directors;

2. to approve an amendment to our articles of incorporation increasing the number of shares of preferred stock we are authorized to issue from 1,000,000 shares to 3,000,000 shares, including 2,000,000 shares of Series A Convertible Preferred Stock;

3. to ratify the appointment of Rotenberg Meril Solomon Bertiger & Guttilla, P.C. as our independent registered public accounting firm for the fiscal year ending December 31, 2016;

4. to approve the Air Industries Group 2016 Equity Incentive Plan; and

5. to transact such other business as may properly come before the Annual Meeting and at any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on September 22, 2016 as the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting.

By order of the Board of
Directors,

Daniel R. Godin
President and Chief
Executive Officer

October 6, 2016

Please mark, sign and date the enclosed proxy card and return it promptly in the enclosed self-addressed, stamped envelope.

To vote via the Internet or telephone:
Internet: www.proxyvote.com
Phone: 1-800-690-6903

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AIR INDUSTRIES GROUP

360 Motor Parkway, Suite 100
Hauppauge, NY 11788

PROXY STATEMENT

General Information

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Air Industries Group, a Nevada corporation (the “Company,” “we,” “our” or “us”), of proxies to be voted at our 2016 Annual Meeting of Stockholders (the “Annual Meeting” or the “Meeting”) and at any adjournment or postponement of the Meeting. The Annual Meeting will take place on Tuesday, November 15, 2016, beginning at 10:00 a.m., Eastern Time, at our offices, 360 Motor Parkway, Suite 100, Hauppauge, New York 11788.

This Proxy Statement, the Notice of Annual Meeting, our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, and accompanying proxy are being mailed to holders of our Series A Convertible Preferred Stock, par value \$0.001 per share (“Series A Preferred Stock”), and holders of our common stock, par value \$0.001 per share (“Common Stock”), on or about October 6, 2016. Web links and addresses contained in this Proxy Statement are provided for convenience only, and the content on the referenced websites does not constitute a part of this Proxy Statement.

Frequently Asked Questions About the Annual Meeting and Voting

1. Who is entitled to vote at the Annual Meeting?

Holders of our Series A Preferred Stock and holders of our Common Stock at the close of business on September 22, 2016 (the “Record Date”) are entitled to receive the Notice of Annual Meeting and to vote their shares at the Meeting. Holders of our Series A Preferred Stock and holders of our Common Stock will vote together as a single class on each of the proposals described in this Proxy Statement to be submitted for consideration at the Annual Meeting, with holders of Series A Preferred Stock entitled to the number of votes equal to the number of shares of Common Stock into which the shares of Series A Preferred Stock owned of record by such shareholder could have been converted on the Record Date (2.0325 times the number of shares of Series A Preferred Stock owned of record) and each share of Common Stock is entitled to one vote on each of the proposals described in this Proxy Statement to be submitted for consideration at the Annual Meeting.

2. How many shares of Series A Preferred Stock and Common Stock are “outstanding”?

As of September 22, 2016, there were 732,297 shares of Series A Preferred Stock and 7,583,165 shares of Common Stock outstanding and entitled to be voted at the Annual Meeting. Holders of Series A Preferred Stock are entitled to a total of 1,488,393 votes, and holders of Common Stock are entitled to a total of 7,583,165 votes, on each of the proposals described in this Proxy Statement to be submitted for consideration at the Annual Meeting.

3. What is the difference between holding shares as a stockholder of record and as a beneficial owner?

If your shares are registered in your name with our transfer agent, Broadridge Corporate Issuer Solutions, Inc., you are the “stockholder of record” of those shares. This Notice of Annual Meeting and Proxy Statement and any accompanying materials have been provided directly to you by Air Industries Group.

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If your shares are held through a broker, bank or other holder of record, you hold your shares in “street name” and you are considered the “beneficial owner” of those shares. This Notice of Annual Meeting and Proxy Statement and any accompanying documents have been provided to you by your broker, bank or other holder of record. As the beneficial owner, you have the right to direct your broker, bank or other holder of record how to vote your shares by using the voting instruction card or by following their instructions for voting by telephone or on the Internet. Absent instructions from you, under applicable regulatory requirements, your broker may vote your shares on the ratification of the appointment of our independent registered public accounting firm for fiscal 2016, but may not vote your shares on the election of directors, the amendment to our articles of incorporation increasing the number of shares of preferred stock we are authorized to issue from 1,000,000 shares to 3,000,000 shares, including 2,000,000 shares of Series A Preferred Stock (the “Charter Amendment”), the approval of our 2016 Equity Incentive Plan, or any of the other proposals to be voted on at the Annual Meeting.

4. How do I vote?

You may vote using any of the following methods:

By mail

Complete, sign and date the accompanying proxy or voting instruction card and return it in the prepaid envelope. If you are a stockholder of record and return your signed proxy card but do not indicate your voting preferences, the persons named in the proxy card will vote the shares represented by your proxy card as recommended by the Board of Directors.

By telephone or on the Internet

Air Industries Group has established telephone and Internet voting procedures for stockholders of record. These procedures are designed to authenticate your identity, to allow you to give your voting instructions and to confirm that those instructions have been properly recorded. Telephone and Internet voting facilities for stockholders of record will be available 24 hours a day until 11:59 p.m., Eastern Time, on November 14, 2016.

The availability of telephone and Internet voting for beneficial owners will depend on the voting processes of your broker, bank or other holder of record. We therefore recommend that you follow the voting instructions in the materials you receive.

If you vote by telephone or on the Internet, you do not have to return your proxy or voting instruction card.

Telephone. You can vote by calling the toll-free telephone number on your proxy card. Please have your proxy card handy when you call. Easy-to-follow voice prompts will allow you to vote your shares and confirm that your instructions have been properly recorded.

Internet. The website for Internet voting is www.proxyvote.com. Please have your proxy card handy when you go to the website. As with telephone voting, you can confirm that your instructions have been properly recorded. If you vote on the Internet, you also can request electronic delivery of future proxy materials.

In person at the Annual Meeting

Stockholders who attend the Annual Meeting may vote in person at the Meeting. You may also be represented by another person at the Meeting by executing a proper proxy designating that person. If you are a beneficial owner of shares, you must obtain a legal proxy from your broker, bank or other holder of record and present it to the inspector

of election with your ballot to be able to vote at the Annual Meeting.

Your vote is important. Please complete your proxy card promptly to ensure that your vote is received timely.

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5. What can I do if I change my mind after I vote?

If you are a stockholder of record, you can revoke your proxy before it is exercised by:

- giving written notice to the Corporate Secretary of the Company;
- delivering a valid, later-dated proxy, or a later-dated vote by telephone or on the Internet, in a timely manner; or
- voting by ballot at the Annual Meeting.

If you are a beneficial owner of shares, you may submit new voting instructions by contacting your broker, bank or other holder of record. All shares for which proxies have been properly submitted and not revoked will be voted at the Annual Meeting.

6. What is a broker non-vote?

If you are a beneficial owner whose shares are held of record by a broker, you must instruct the broker how to vote your shares. If you do not provide voting instructions, your shares will not be voted on any proposal on which the broker does not have discretionary authority to vote. This is called a “broker non-vote.” In these cases, the broker can register your shares as being present at the Annual Meeting for purposes of determining the presence of a quorum but will not be able to vote on those matters for which specific authorization is required under the rules of the New York Stock Exchange (“NYSE”).

If you are a beneficial owner whose shares are held of record by a broker, your broker has discretionary voting authority under NYSE rules to vote your shares on the ratification of Rotenberg Meril Solomon Bertiger & Guttilla, P.C. as our independent registered public accounting firm, even if the broker does not receive voting instructions from you. However, your broker does not have discretionary authority to vote on the election of directors, the approval of the Charter Amendment, or the approval of our 2016 Equity Incentive Plan, in which case a broker non-vote will occur and your shares will not be voted on these matters.

7. What is a quorum for the Annual Meeting?

The presence of the holders of shares of Series A Preferred Stock and Common Stock representing a majority of the voting power of all shares of Series A Preferred Stock and Common Stock issued and outstanding and entitled to vote at the Annual Meeting, or holders of shares of Series A Preferred Stock and Common Stock entitled to cast at least 4,535,780 votes, in person or represented by proxy, is necessary to constitute a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum.

8. What are the voting requirements to elect the directors and to approve each of the proposals discussed in this Proxy Statement?

| Proposal | Vote Required | Broker Discretionary Voting Allowed |
|-----------------------|-------------------------|-------------------------------------|
| Election of Directors | Plurality of Votes Cast | No |
| | | Yes |

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Ratification of Rotenberg Meril Solomon Bertiger & Guttilla,
P.C. as our independent registered public accounting firm

Majority of Votes
Cast

Approval of Charter Amendment

Majority of
Total Voting
Power of Series A
Preferred Stock
and Common
Stock

No

Approval of Air Industries Group 2016 Equity Incentive Plan

Majority of Votes
Cast

No

Election of Directors

Directors are elected by a plurality of the votes cast at the Annual Meeting. This means that the seven persons receiving the highest number of affirmative "for" votes at the Annual Meeting will be elected. Abstentions and broker non-votes are not counted as votes "for" or "against" a director nominee.

Ratification of Rotenberg Meril Solomon Bertiger & Guttilla, P.C as our independent registered public accounting firm

The votes cast "for" must exceed the votes cast "against" to approve the ratification of Rotenberg Meril Solomon Bertiger & Guttilla, P.C as our independent registered public accounting firm. Abstentions are not counted as votes "for" or "against" this proposal.

Approval of Charter Amendment

The affirmative vote of majority of the total voting power of the Series A Preferred Stock and Common Stock, or a total of 4,535,780 votes, is required to approve the Charter Amendment proposal. Abstentions and broker non-votes will be counted as votes "against" this proposal.

Approval of Air Industries Group 2016 Equity Incentive Plan

The votes cast "for" must exceed the votes cast "against" to approve the Air Industries Group Equity Incentive Plan. Abstentions are not counted as votes "for" or "against" this proposal.

9. How will my shares be voted at the Annual Meeting?

At the Meeting, the Board of Directors (the persons named in the proxy card or, if applicable, their substitutes) will vote your shares as you instruct. If you sign your proxy card and return it without indicating how you would like to vote your shares, your shares will be voted as the Board of Directors recommends, which is:

- FOR the election of each of the director nominees named in this Proxy Statement;
- FOR the approval of the Charter Amendment;
- FOR the ratification of the appointment of Rotenberg Meril Solomon Bertiger & Guttilla, P.C as our independent registered public accounting firm for the fiscal year ending December 31, 2016; and
- FOR the approval of the Air Industries Group 2016 Equity Incentive Plan.

10. Could other matters be decided at the Annual Meeting?

As of the date of this Proxy Statement, we did not know of any matters to be presented at the Annual Meeting, other than those referred to in this Proxy Statement.

If you return your signed and completed proxy card or vote by telephone or on the Internet and other matters are properly presented at the Annual Meeting for consideration, the individuals named as proxies on the enclosed proxy card will have the discretion to vote on your behalf.

11. Who will pay for the cost of the Annual Meeting and this proxy solicitation?

The Company will pay the costs associated with the Annual Meeting and solicitation of proxies, including the costs of transmitting the proxy materials. In addition to solicitation by mail, our directors, officers and regular employees (who will not be specifically compensated for such services) may solicit proxies by telephone or otherwise. Arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries to forward proxies and proxy materials to their principals, and we will reimburse them for their expenses. We have retained Broadridge Corporate Issuer Solutions, Inc. to assist in the mailing, collection and administration of proxies. We have not retained a soliciting agent to assist in the solicitation of proxies.

MATTERS TO COME BEFORE THE ANNUAL MEETING

PROPOSAL ONE:

Election of Directors

Nominees

At the Annual Meeting, seven directors, who have been nominated by the Nominating Committee of the Board of Directors, are to be elected, each to hold office (subject to our By-Laws) until the next annual meeting and until his successor has been elected and qualified. All of the nominees for director currently serve as directors.

Each nominee has consented to being named as a nominee in this proxy statement and to serve if elected. If any nominee listed in the table below should become unavailable for any reason, which the Board of Directors does not anticipate, the proxy will be voted for any substitute nominee or nominees who may be selected by the Board of Directors prior to or at the Annual Meeting, or, if no substitute is selected by the Board of Directors prior to or at the Annual Meeting, for a motion to reduce the membership of the Board of Directors to the number of nominees available. The seven nominees receiving the highest number of affirmative "for" votes at the Annual Meeting will be elected. The information concerning the nominees and their security holdings has been furnished by them to us.

Directors are nominated by our Board of Directors, based on the recommendations of the Nominating Committee. As discussed elsewhere in this proxy statement, in evaluating director nominees, the Nominating Committee considers characteristics that include, among others, integrity, business experience, financial acumen, leadership abilities, familiarity with our businesses and businesses similar or analogous to ours, and the extent to which a candidate's knowledge, skills, background and experience are already represented by other members of our Board of Directors. Listed below are our director nominees with their biographies.

| Nominee | Age | Director Since |
|---------------------|-----|----------------|
| Michael N. Taglich | 50 | 2008 |
| Peter D. Rettaliata | 65 | 2005 |
| Seymour G. Siegel | 73 | 2005 |
| Robert F. Taglich | 49 | 2008 |
| | 60 | 2008 |

| | | |
|------------------------|----|------|
| David J. Buonanno | | |
| Robert C. Schroeder | 49 | 2008 |
| Michael Brand | 57 | 2012 |

Michael N. Taglich has been Chairman of our Board of Directors since September 22, 2008. He is Chairman and President of Taglich Brothers, Inc. ("Taglich Brothers"), a New York City based securities firm which he co-founded in 1992 and which is focused on public and private micro-cap companies. From 1987 to 1992, Mr. Taglich served as a Vice President at Weatherly Securities. He brings a broad depth and breadth of capital and business background to the Board, with extensive experience in exit strategies. Mr. Taglich is currently Chairman of the Board of SCOLR Pharma Inc, a publicly traded pharmaceutical company, and BioVentrix, Inc., a privately held medical device company whose products are directed at heart failure. He also serves as a Director of Bridgeline Digital, Inc. and DecisionPoint Systems, Inc., each of which is a publicly traded company. Mr. Taglich holds a B.S. degree in General and International Business from New York University and holds Series 27 and Series 7 securities licenses. Mr. Taglich's extensive experience in the capital markets and his knowledge of the aerospace industry qualify him to serve as a Director.

Peter D. Rettaliata served as our President and Chief Executive Officer from November 30, 2005 to December 31, 2014. He also served as the President of our wholly-owned subsidiary, AIM, from 1994 to 2008. Prior to his involvement at AIM, Mr. Rettaliata was employed by Grumman Aerospace Corporation for twenty-two years. Professionally, Mr. Rettaliata has served as the Chairman of "ADDAPT", an organization of regional aerospace companies, as a member of the Board of Governors of the Aerospace Industries Association, and as a member of the Executive Committee of the AIA Supplier Council. He is a graduate of Niagara University where he received a B.A. in History and the Harvard Business School where he completed the PMD Program. Mr. Rettaliata's extensive experience in the aerospace industry and his knowledge of our operations qualify him to serve as a Director.

Seymour G. Siegel, a Certified Public Accountant no longer in practice, was a principal emeritus at Rothstein Kass (now KPMG), an international firm of accountants and consultants until July 2014. Mr. Siegel was a founder of Siegel Rich & Co., CPAs, which eventually merged with what is now known as WeiserMazars LLP, where he was a senior partner until January 1995, when he sold his interest in the firm and co-founded a business advisory firm which later became a part of Rothstein Kass. In addition to serving as a Director and Chairman of the Audit Committees of our Board, Mr. Siegel also serves as a Director and Chairman of the Audit Committee of Root 9B Technologies Inc. Mr. Siegel received his Bachelor of Business Administration from the Bernard M. Baruch School of the City College of New York. Mr. Siegel's extensive knowledge and experience in accounting matters and familiarity with the issues of manufacturing businesses qualify him to serve as a Director.

Robert F. Taglich is a Managing Director of Taglich Brothers, which he co-founded in 1992. Prior to founding Taglich Brothers, Mr. Taglich was a Vice President at Weatherly Securities. Mr. Taglich has served in various positions in the brokerage securities industry for the past 25 years. Mr. Taglich is a Director of Bridgeline Digital, Inc., a publicly traded company. He also serves on the board of privately held BioVentrix, Inc., a medical device company whose products are directed at heart failure. Mr. Taglich holds a Bachelor's degree from New York University. Mr. Taglich's extensive experience in the capital markets and his knowledge of the aerospace industry qualify him to serve as a Director.

David J. Buonanno is the Founder and President of Buonanno Enterprises Consulting, providing strategic management, supply chain/operations and recruitment services to aerospace and defense industry clients. He is a member of the Executive Advisory Board of Bridgeways, Inc. and the Advisory Board of Alken Industries, Inc. Mr. Buonanno has extensive experience in manufacturing, supply management and operations. He was employed by Sikorsky Aircraft, Inc., a subsidiary of United Technologies Corporation, as Vice President, Supply Management and International Offset (from January 1997 to July 2006) and as Director, Systems Subcontracts (from November 1992 to January 1997). From May 1987 to November 1992, he was employed by General Electric Company serving as Operations Manager and Manager, Program Materials Management of GE's Astro-Space Division. From June 1977 to May 1987, he was employed by RCA and affiliated companies. Mr. Buonanno attended Lehigh University College of Electrical Engineering and holds a B.S. in Business Administration from Rutgers University. He completed the Program for Management Development at Harvard Business School in 1996. Mr. Buonanno's extensive experience in the aerospace and defense industries and familiarity with the operations of companies in the industry qualify him to serve as a Director.

Robert C. Schroeder is Vice President - Investment Banking of Taglich Brothers and specializes in advisory services and capital raising for small public and private companies. Prior to that, Mr. Schroeder served as Senior Equity Analyst publishing sell-side research. Prior to joining Taglich Brothers, he served in various positions in the brokerage and public accounting industry. Mr. Schroeder serves as a director of DecisionPoint Systems, Inc., a publicly-traded company. Mr. Schroeder received a B.S. degree in accounting and economics from New York University. He is a Chartered Financial Analyst and a member of the Association for Investment Management and Research and a member of the New York Society of Security Analysts. Mr. Schroeder's extensive experience in the capital markets qualify him to serve as a Director.

Michael Brand was the President of Goodrich Landing Gear, a unit of Goodrich Corporation, from July 2005 to June 2012. Prior to joining Goodrich for over 25 years he held senior management positions in the Aerospace industry. He began his career at General Electric Corporation and rose to senior management in its jet engine manufacturing operations. Mr. Brand is a graduate of Clarkson University, with advanced degrees and certificates from Xavier University and the Wharton School. Mr. Brand's extensive experience in the aerospace and defense industries and familiarity with the operations of companies in the industry qualify him to serve as a Director.

Michael N. Taglich and Robert F. Taglich are brothers.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR
THE ELECTION OF EACH NOMINEE UNDER PROPOSAL ONE

Information Concerning the Board of Directors

Board Leadership Structure and Risk Oversight

The Board does not have a policy requiring separation of the roles of Chief Executive Officer and Chairman of the Board. Nevertheless, Michael N. Taglich is Chairman of the Board and Daniel R. Godin is Chief Executive Officer of the Company.

The Board has determined that a non-employee director serving as Chairman is in the best interests of our stockholders at this time. This structure ensures a greater role of non-employee Directors in the active oversight of our business, including risk management oversight, and in setting agendas and establishing Board priorities and procedures. This structure also allows the Chief Executive Officer to focus to a greater extent on the management of our day-to-day operations.

The Board of Directors as a whole is responsible for consideration and oversight of risks facing the Company, and is responsible for ensuring that material risks are identified and managed appropriately. Certain risks are overseen by committees of the Board of Directors and these committees make reports to the full Board of Directors, including reports on noteworthy risk-management issues. Members of the Company's senior management team regularly report to the full Board about their areas of responsibility and a component of these reports is risk within the area of responsibility and the steps management has taken to monitor and control such exposures. Additional review or reporting on risks is conducted as needed or as requested by the Board or one of its committees.

Board Independence

Our Board of Directors has determined that Robert Schroeder, Seymour G. Siegel, David Buonanno and Michael Brand are "independent directors" within the meaning of NYSE MKT Rule 803A(2).

Director Compensation

Non-employee Directors are entitled to receive compensation for serving as directors and may receive option grants from our company. Each Director also is entitled to be repaid or prepaid all traveling, hotel and incidental expenses reasonably incurred or expected to be incurred in attending meetings of our Board of Directors or committees of our Board of Directors or shareholder meetings or otherwise in connection with the discharge of his duties as a Director. The compensation committee will assist the directors in reviewing and approving the compensation structure for our directors.

The following table sets forth certain information regarding the compensation paid to our directors during the fiscal year ended December 31, 2015.

DIRECTOR COMPENSATION

| Name | Fees | | | Non-Equity Incentive Plan Compensation | Non-Qualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Total (\$) |
|------------------------|-----------------------------------|-------------------------|--------------------------|--|--|-----------------------------------|------------|
| | Earned or Paid in Cash (\$) | Stock Awards (\$) | Option Awards (\$) | | | | |
| Michael N. Taglich | \$ 57,500 | - | \$ 3,215 | - | - | - | \$ 60,715 |
| Robert F. Taglich | \$ 57,500 | - | \$ 3,215 | - | - | - | \$ 60,715 |
| Robert Schroeder | \$ 30,417 | - | \$ 3,215 | - | - | - | \$ 33,632 |
| David Buonanno | \$ 30,417 | - | \$ 3,215 | - | - | - | \$ 33,632 |
| Seymour G. Siegel | \$ 42,417 | - | \$ 3,215 | - | - | - | \$ 45,632 |
| Michael Brand | \$ 30,417 | - | \$ 3,215 | - | - | - | \$ 33,632 |
| Peter D. Rettaliata | \$ 50,000 | - | \$ - | - | - | - | \$ 50,000 |

Board Meetings; Committees and Membership

The Board of Directors held three meetings during the fiscal year ended December 31, 2015 (“fiscal 2015”). During fiscal 2015, each of the directors then in office attended more than 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings of all committees of the Board on which such director served.

We maintain the following committees of the Board of Directors: the Audit Committee, the Compensation Committee and the Nominating Committee. Each committee is comprised entirely of directors who are “independent” within the meaning of NYSE MKT Rule 803A(2). Each committee acts pursuant to a separate written charter, and each such charter has been adopted and approved by the Board of Directors. Copies of the committee charters are available on our website at airindustriestgroup.com under the heading “Investor Relations.”

Audit Committee. Messrs. Siegel, Schroeder and Buonanno are members of the Audit Committee. Mr. Siegel serves as Chairman of the Audit Committee and also qualifies as an “audit committee financial expert,” as that term is defined in Item 407(d)(5)(ii) of Regulation S-K. The Board has determined that each member of our Audit Committee meets the financial literacy requirements under the Sarbanes-Oxley Act and SEC rules and the independence requirements under NYSE MKT Rule 803A(2). The Audit Committee held four meetings during fiscal 2015.

Our Audit Committee is responsible for preparing reports, statements and charters required by the federal securities laws, as well as:

- overseeing and monitoring the integrity of our consolidated financial statements, our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters, and our internal accounting and financial controls;
- preparing the report that SEC rules require be included in our annual proxy statement;
- overseeing and monitoring our independent registered public accounting firm's qualifications, independence and performance;
- providing the Board with the results of its monitoring and its recommendations; and
- providing to the Board additional information and materials as it deems necessary to make the Board aware of significant financial matters that require the attention of the Board.

Compensation Committee. Our Compensation Committee is composed of Messrs. Siegel, Buonanno and Brand. The Compensation Committee is responsible for:

- establishing the Company's general compensation policy, in consultation with the Company's senior management, and overseeing the development and implementation of compensation programs;
- reviewing and approving corporate goals and objectives relevant to the compensation of the CEO, and evaluating the performance of the CEO at least annually in light of those goals and objectives and communicating the results of such evaluation to the CEO and the Board, and determining the CEO's compensation level based on this evaluation, subject to ratification by the independent directors on the Board. In determining the incentive component of CEO compensation, the Committee will consider, among other factors, the Company's performance and relative stockholder return, the value of similar incentive awards to CEOs at comparable companies, the awards given to the CEO in past years, and such other factors as the Committee may determine to be appropriate;
- reviewing and approving the compensation of all other executive officers of the Company, such other managers as may be directed by the Board, and the directors of the Company.
- overseeing the Board's benefit and equity compensation plans, overseeing the activities of the individuals and committees responsible for administering these plans, and discharging any responsibilities imposed on the Committee by any of these plans;
- approving issuances under, or any material amendments to, any stock option or other similar plan pursuant to which a person not previously an employee or director of the Company, as an inducement material to the individual's entering into employment with the Company, will acquire stock or options;
- in consultation with management, overseeing regulatory compliance with respect to compensation matters, including overseeing the Company's policies on structuring compensation programs to preserve related tax objectives;
- reviewing and approving any severance or similar termination payments proposed to be made to any current or former officer of the Company; and
- preparing an annual report on executive compensation for inclusion in our proxy statement for the election of directors, if required under the applicable SEC rules.

The Compensation Committee held two meetings during fiscal 2015.

Nominating Committee. Our Nominating Committee is composed of Messrs. Schroeder, Siegel and Brand. The purpose of the Nominating Committee is to seek and nominate qualified candidates for election or appointment to our Board of Directors. The Nominating Committee will seek candidates for election and appointment that possess the integrity, leadership skills and competency required to direct and oversee the Company's management in the best

interests of its stockholders, customers, employees, communities it serves and other affected parties. The Nominating Committee held one meeting during fiscal 2015.

A candidate must be willing to regularly attend Committee and Board of Directors meetings, to develop a strong understanding of the Company, its businesses and its requirements, to contribute his or her time and knowledge to the Company and to be prepared to exercise his or her duties with skill and care. In addition, each candidate should have an understanding of all corporate governance concepts and the legal duties of a director of a public company.

Stockholders may contact the Nominating Committee Chairman, the Chairman of the Board or the Corporate Secretary in writing when proposing a nominee. This correspondence should include a detailed description of the proposed nominee's qualifications and a method to contact that nominee if the Nominating Committee so chooses.

Stockholder Communications

Any stockholder who desires to contact any of our Directors can write to Air Industries Group, 360 Motor Parkway, Suite 100, Hauppauge, NY 11788 Attention: Stockholder Relations. Your letter should indicate that you are an Air Industries Group stockholder. Depending on the subject matter, our stockholder relations personnel will:

- forward the communication to the Director(s) to whom it is addressed;
- forward the communication to the appropriate management personnel;
- attempt to handle the inquiry directly, for example where it is a request for information about the Company, or it is a stock-related matter; or
- not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our Directors, Executive Officers and beneficial owners of more than 10% of our common stock to file with the SEC reports of their holdings of, and transactions in, our common stock. Based solely upon our review of copies of such reports and written representations from reporting persons that were provided to us, we believe that our officers, directors and 10% stockholders complied with these reporting requirements with respect to 2015.

Policy Regarding Attendance of Directors at Annual Meetings of Stockholders

We have not established a formal policy regarding director attendance at our annual meetings of stockholders, although we encourage our directors to attend the annual meeting.

Code of Ethics

We have adopted a written code of ethics that applies to our principal executive officers, senior financial officers and persons performing similar functions. Upon written request to our corporate secretary, we will provide you with a copy of our code of ethics, without cost.

Information Concerning Executive Officers

Our Executive Officers are set forth in the table below along with their ages and positions. Each Executive Officer holds the offices set forth opposite his or her name until his successor is chosen and qualified.

| Name | Age | Position |
|-----------------|-----|---------------------------------------|
| Daniel R. Godin | 54 | Chief Executive Officer and President |
| Michael Recca | 66 | Chief Financial Officer |
| Marianne Giglio | 52 | Chief Accounting Officer |

Daniel R. Godin has been our President and Chief Executive Officer since January 1, 2015. Prior to joining the Company on December 1, 2014, Mr. Godin was employed by the Merex Group since May 5, 2014 as President of Maintenance, Repair and Overhaul units of MRO Solutions, where he had P&L responsibility and provided strategy

and leadership to all MRO business units within the Merex Group. From November 2008 to May 2, 2014, he was employed at Circor Aerospace, Inc. as North America Vice President and General Manager of Circor Aerospace & Defense, providing P&L and business leadership for a group of businesses focused on OEM and aftermarket design, manufacturing and MRO of proprietary fluid controls and landing gear technology. Prior to working at Circor Aerospace & Defense, Mr. Godin was employed as a Vice President at Sermatech International, Inc. where was responsible for operations and improving overall profitability. Prior to working at Sermatech International, Inc., Mr. Godin was employed at United Technologies' Pratt & Whitney aircraft engines division and had roles in Process Engineering, Operations Management, Supply Chain and Business Center Leadership for complex aircraft turbine engine equipment development and manufacturing. Mr. Godin holds a Bachelor of Science in Manufacturing Engineering from the University of Southern Maine and completed the Executive Business Program at the Darden School at the University of Virginia. He served with the United States Air Force and holds five US Patents for specialized aircraft and industrial engine coatings and engineered components.

Michael Recca has been our Chief Financial officer since October 1, 2016. Mr. Recca has been engaged by the Company since September 2008 in a variety of positions related to the Company's capital finance and acquisition programs. Most recently he served as Chief of Corporate Development & Capital Markets, a position in which he directed the Company's acquisition program and coordinated with the Company's lenders. Mr. Recca received Bachelor of Arts degree from the SUNY Stony Brook and an MBA from Columbia University.

Marianne Giglio has been our Chief Accounting Officer since April 26, 2016. Ms. Giglio joined our Company March 7, 2016. From 2007 until when she joined our Company, Ms. Giglio was employed by Circor Aerospace & Defense which she last served as Director of Finance/Group Director of Pricing. Ms. Giglio received a Bachelor of Science, Accounting from SUNY Old Westbury in 1989 and is a Member of the American Institute of Certified Public Accountants and a Member of the New York State Society of Independent Public Accountants.

Summary Compensation Table

The following summary compensation table shows, for the periods indicated, information regarding the compensation awarded to, earned by or paid to our principal executive officer and our chief accounting officer (our only other executive officer whose compensation exceeded \$100,000), for all services rendered in all capacities to our company and its subsidiaries. The individuals listed in the following table are referred to herein collectively as our "named executive officers."

Executive Compensation Table

| Name and principal Position | Year | Salary (\$) | Bonus (\$) | Stock awards (\$) | Option awards (\$) | Non-equity Incentive Plan Information (\$) | Nonqualified deferred earnings (\$) | All compensation other compensatio (\$) | Total (\$) |
|---|------|----------------|---------------|-------------------------|--------------------------|--|--|---|---------------|
| Daniel R. Godin (1) President and CEO | 2015 | 254,807 | - | - | - | - | - | \$ 9,600 (3) | \$ 264,407 |
| James Sartori (2) Chief Accounting Officer | 2015 | 186,609 | - | - | \$ 12,353 | - | - | \$ 9,000 (3) | \$ 207,962 |

(1) Mr. Godin became our President and CEO effective as of January 1, 2015.

(2) Mr. Sartori became our Chief Accounting Officer on January 15, 2015 and resigned effective April 22, 2016.

(3) Represents car allowance.

None of our executive officers or key employees named in the above table has an employment agreement providing for a fixed term of employment. All are employees at will terminable at any time without any severance, other than that payable to employees generally.

Terms of Daniel R. Godin’s Employment

Daniel R. Godin, our President and Chief Executive Officer, is entitled to a base salary of \$250,000 per annum, plus a bonus for 2015 based upon performance criteria to be determined. We also paid Mr. Godin a signing bonus of \$50,000. In addition, Mr. Godin receives a car allowance of \$800 per month and is eligible to participate in such health and welfare plans as are made available to our executives generally. On December 1, 2014, we granted Mr. Godin options to purchase 120,000 shares at an exercise price of \$10.12 per share. The options vest in quarterly installments of 10,000 shares on the first day of March, June, September and December of each year commencing March 1, 2015 until fully vested as to 120,000 shares on December 1, 2017. The options expire on November 30, 2021.

Terms of James Sartori’s Employment

James Sartori, was appointed Vice President, Chief Accounting Officer January 15, 2015, and resigned in April 2016. Pursuant to his employment agreement he was entitled to a base salary of \$175,000 and eligible for such cash bonuses and equity incentive awards as the Board from time to time determined to be appropriate. In addition, Mr. Sartori received a car allowance of \$750 per month and was eligible to participate in such health and welfare plans as are made available to our executives generally. On March 19, 2015, we granted Mr. Sartori an option to purchase 11,000 shares of common stock at an exercise price of \$10.34 per share. The options were to vest in annual installments of 3,666 shares on the first two anniversaries of the date of grant, and as to 3,668 shares on the third anniversary of the date of grant. Because of Mr. Sartori’s departure, the 3,666 shares which vested on March 19, 2016, expired on July 21, 2016.

Executive Compensation Policies as They Relate to Risk Management

The Compensation Committee and management have considered whether our compensation policies might encourage inappropriate risk taking by the Company’s executive officers and other employees. The Compensation Committee has determined that the current compensation structure aligns the interests of the executive officers with those of the Company without providing rewards for excessive risk taking by awarding a mix of fixed and performance based or discretionary bonuses with the performance based compensation focused on profits as opposed to revenue growth.

During the years ended December 31, 2015 and 2014, less than 1% of the total compensation paid to employees was paid in performance-based compensation, including commissions and bonuses.

Equity Awards – 2015

The following table shows the grant of equity awards in the form of options to James Sartori who was our only named executive officer to receive an equity award during 2015. We did not grant any equity awards in the form of shares to any of the named executive officers during 2015 and consequently have omitted those columns from the table which would have described such awards.

GRANT OF PLAN-BASED AWARDS

| Name | Grant Date | All Other Option | |
|---------------|------------|---|---|
| | | Awards: Number of Securities Underlying Options (#) | Grant Date Fair Value of Stock and Option Awards (\$) |
| James Sartori | 3/19/2015 | 11,000 | \$12,353 |

Outstanding Equity Awards at 2015 Year-End

The following table shows certain information regarding outstanding equity awards held by our named executive officers as of December 31, 2015.

| Name | Option Awards | | Stock Awards | | | |
|-----------------|---|---|----------------------------|------------------------|---|---|
| | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price (\$) | Option Expiration Date | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested |
| Daniel R. Godin | 39,600 | 80,400 | \$10.12 | 11/30/2021 | - | - |
| James Sartori | - | 11,000 | \$10.34 | 3/19/2020 | - | - |

Equity Incentive Plans

We have two equity incentive plans, the 2015 Equity Incentive Plan (the “2015 Plan”), which our Board of Directors adopted in March 2015 and our stockholders approved in June 2015, and the 2013 Equity Incentive Plan (the “2013 Plan”), which our Board of Directors adopted in May 2013 and our stockholders approved in July 2013. The 2015 Plan is virtually identical to the 2013 Plan, except that the 2015 Plan authorized the issuance of 350,000 shares of Common Stock and the 2013 Plan authorized the issuance of 600,000 shares. As of June 30, 2016, options to purchase 138,000 shares have been granted and remain outstanding under the 2015 Plan, and 212,000 shares remained available for grant, and options to purchase 564,342 shares remain outstanding and no shares remained available for issuance under the 2013 Plan. The Plans permit the Company to grant stock awards and non-qualified and incentive stock options to employees, directors and consultants. The Plans are administered by the Compensation Committee of the Board and each has a term of ten years from the date it was adopted by the Board.

We adopted the Plans to provide a means by which employees, directors, and consultants of our Company and those of our subsidiaries and other designated affiliates, which we refer to together as our affiliates, may be given an opportunity to purchase our Common Stock, to assist in retaining the services of such persons, to secure and retain the services of persons capable of filling such positions, and to provide incentives for such persons to exert maximum efforts for our success and the success of our affiliates.

Our Board of Directors adopted the 2016 Equity Incentive Plan (“the “2016 Plan”) in June, 2016. The 2016 Plan, which is virtually identical to the 2015 Plan, is being submitted to stockholders for approval at the Annual Meeting. See Proposal Three. The Company has reserved 350,000 shares of its Common Stock for issuance pursuant to the 2016 Plan. The Plan is administered by the Compensation Committee of the Board and has a term of ten years from the

date it was adopted by the Board.

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Transactions with Related Persons

Our Policy Concerning Transactions with Related Persons

Under Item 404 of SEC Regulation S-K, a related person transaction is any actual or proposed transaction, arrangement or relationship or series of similar transactions, arrangements or relationships, including those involving indebtedness not in the ordinary course of business, to which we or our subsidiaries were or are a party, or in which we or our subsidiaries were or are a participant, in which the amount involved exceeded or exceeds the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years and in which any of our directors, nominees for director, executive officers, beneficial owners of more than 5% of any class of our voting securities (a “significant shareholder”), or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest.

We recognize that transactions between us and any of our Directors or Executives or with a third party in which one of our officers, directors or significant shareholders has an interest can present potential or actual conflicts of interest and create the appearance that our decisions are based on considerations other than the best interests of our Company and stockholders.

The Audit Committee of the Board of Directors is charged with responsibility for reviewing, approving and overseeing any transaction between the Company and any related person (as defined in Item 404 of Regulation S-K), including the propriety and ethical implications of any such transactions, as reported or disclosed to the Committee by the independent auditors, employees, officers, members of the Board of Directors or otherwise, and to determine whether the terms of the transaction are not less favorable to us than could be obtained from an unaffiliated party.

Transactions

The following includes a summary of transactions since January 1, 2014, or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years, and in which any related person had or will have a direct or indirect material interest.

On January 1, 2014, we entered into a Capital Market Advisory Agreement with Taglich Brothers pursuant to which Taglich Brothers provides us, on a non-exclusive basis, business advisory services for a monthly fee of \$7,000 and a warrant to purchase 10,000 shares of our common stock at an exercise price of \$8.72 per share. This agreement renews annually.

In connection with our public offering of 1,170,000 shares of common stock completed on June 3, 2014, we paid Taglich Brothers, which acted as placement agent for the offering, \$842,400, representing 8% of the gross proceeds of the offering as a sales commission, plus an additional \$75,000 in reimbursement of counsel fees. In addition, we granted Taglich Brothers placement agent warrants to purchase 46,800 shares of common stock, representing 4% of the shares sold in the offering as additional compensation. The warrants are exercisable for cash or on a cashless basis at a per share exercise price equal to \$11.25, commencing May 29, 2015 and expiring May 28, 2019.

We paid Taglich Brothers a total of \$18,000 (\$1,500 per month) during 2014 for posting its research reports on our company on its website pursuant to a research distribution agreement and \$7,500 to date during 2015.

On September 8, 2015, we borrowed \$350,000 from Michael Taglich, a director of our company, and issued our promissory note in the principal amount of \$350,000 to evidence our obligation to repay that indebtedness. The note bears interest at the rate of 4% per annum and is payable on September 7, 2016.

On April 8, 2016, we borrowed \$350,000 from each of Michael N. Taglich and Robert F. Taglich, directors of our company, and issued our promissory notes in the principal amount of \$350,000 to evidence our obligation to repay that indebtedness. The notes bear interest at the rate of 7% per annum and are payable on June 30, 2016, or earlier upon our receipt of proceeds from the sale of our equity securities in the aggregate amount of \$1,000,000.

On May 6, 2016, we borrowed \$400,000 from Michael N. Taglich and \$300,000 from Robert F. Taglich and issued our promissory notes in the principal amount of \$400,000 to Michael N. Taglich and \$300,000 to Robert F. Taglich to evidence our obligation to repay that indebtedness. The notes bear interest at the rate of 7% per annum and are payable on June 30, 2016, or earlier upon our receipt of proceeds from the sale of our equity securities in the aggregate amount of \$2,000,000.

On May 26, 2016, we issued 110,000 shares of our Series A Preferred Stock to Michael Taglich and 65,000 shares of our Series A Preferred Stock to Robert Taglich upon surrender of the aforementioned promissory notes in connection with the private placement of 700,000 shares of our Series A Preferred Stock, for which Taglich Brothers acted as co-placement agent.

As compensation for its services as co-placement agent for the private placement of our Series A Preferred Stock completed in June 2016 (the "Series A Preferred Stock Offering"), we paid Taglich Brothers a fee of \$326,000 and issued to Taglich Brothers five-year warrants to purchase 56,910 shares of common stock at an initial exercise price of \$6.15, subject to certain anti-dilution and other adjustments, including stock splits, distributions in respect of the common stock and in the event of certain fundamental transactions such as mergers and other business combinations.

In August 2016, the Company issued two promissory notes to Michael Taglich in principal amounts of \$500,000 and \$1,000,000, respectively. The notes bear interest at the rate of 7% per annum. The principal and interest were due to be paid on December 31, 2016, or earlier upon the Company's receipt of proceeds from the sale of its equity securities in the aggregate amount of \$2,000,000.

As compensation for its services as placement agent for the private placement of our 12% Subordinated Convertible Notes due December 31, 2017 (the "Notes"), together with five-year warrants to purchase Common Stock (the "Warrants"), in August 2016 (the "Note Offering"), we paid Taglich Brothers a fee of \$295,400 and issued to Taglich Brothers five-year warrants to purchase 69,025 shares of Common Stock at an initial exercise price of \$6.15, subject to certain anti-dilution and other adjustments, including stock splits, distributions in respect of the common stock and in the event of certain fundamental transactions such as mergers and other business combinations.

On August 19, 2016, we issued to Michael Taglich a Note in the principal amount of \$1,520,713, together with Warrants to purchase 61,817 shares of Common Stock, upon surrender for cancellation of promissory notes in the aggregate principal amount of \$1,500,000, together with accrued interest thereon and on notes previously exchanged for Series A Preferred Stock of \$20,713. In addition, we issued to Robert Taglich a Note in the principal amount of \$4,373, together with Warrants to purchase 177 shares of Common Stock, in consideration of the forgiveness of interest of \$4,373 accrued on notes previously exchanged for Series A Preferred Stock.

Taglich Brothers or its affiliates may in the future provide investment banking, commercial banking and/or other services to us from time to time, for which they may in the future receive customary fees and expenses.

The foregoing transactions were reviewed and approved by the Audit Committee or our Board of Directors. We believe that the terms of each transaction were not less favorable to us than those terms that could be obtained from an unaffiliated third party

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information known to us regarding beneficial ownership of our Series A Preferred Stock and our Common Stock as of September 22, 2016, and after giving effect to the automatic conversion of the principal amount of the Notes upon the filing of the Certificate of Amendment, by (i) each person known by us to own beneficially more than 5% of our outstanding Series A Preferred Stock or Common Stock, (ii) each of our directors,

(iii) our chief executive officer, and (iii) all of our directors and executive officers as a group. Except as otherwise indicated, we believe, based on information provided by each of the individuals named in the table below, that such individuals have sole investment and voting power with respect to such shares, subject to community property laws, where applicable. As of September 22, 2016 we had outstanding 732,297 shares of our Series A Preferred Stock and 7,583,165 shares of our Common Stock. An additional 424,508 shares of Series A Preferred Stock are issuable upon the automatic conversion of the Notes. Each share of Series A Preferred Stock is convertible into 2.0325 shares of Common Stock and holders of Series A Preferred Stock vote together with holders of Common Stock as a single class, except on certain matters specified in the Certificate of Designation authorizing the issuance of the Series A Preferred Stock and as required under applicable law, with holders of Series A Preferred Stock entitled to the number of votes equal to the number of shares of Common Stock into which the shares of Series A Preferred Stock owned of record by such shareholder could have been converted on the Record Date (2.0325 times the number of shares of Series A Preferred Stock owned of record) and each share of Common Stock entitled to one vote. Except as stated in the table, the address of the holder is c/o our company, 360 Motor Parkway, Suite 100, Hauppauge, New York 11788.

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| Name | Number of Shares | | Percent of Class | |
|--|--------------------|---------------|--------------------|---------|
| | Series A Preferred | Common | Series A Preferred | Common |
| Directors and Executive Officers: | | | | |
| Michael N. Taglich | 267,146 | 1,118,686 (1) | 23.09 % | 13.46 % |
| Robert F. Taglich | 94,623 (2) | 747,020 (3) | 8.18 % | 9.43 % |
| Peter D. Rettaliata | 0 | 67,035 (4) | -- | * |
| Seymour G. Siegel | 0 | 18,289 (5) | -- | * |
| David Buonanno | 2,500 | 25,197 (6) | * | * |
| Robert Schroeder | 0 | 86,184 (7) | -- | 1.13 % |
| Michael Brand | 0 | 17,500 (8) | -- | * |
| Daniel Godin, President and CEO | 0 | 60,000 (8) | -- | * |
| All Directors and Executive Officers as a group (10 persons) | 364,269 | 2,105,042 (9) | 31.49 % | 23.77 % |

* Less than 1%

(1) Includes 30,736 shares owned by Taglich Brothers, Inc. and other entities controlled by Mr. Taglich, 542,974 shares he may acquire upon conversion of the Series A Preferred Stock, 169,979 shares he may acquire upon exercise of warrants (including 77,159 shares owned by Taglich Brothers) and 14,500 shares he may acquire upon exercise of options, in each case exercisable within 60 days.

(2) Includes 6,000 shares owned as custodian for his children.

(3) Includes 30,776 shares owned by Taglich Brothers, Inc. and other entities controlled by Mr. Taglich, 192,321 shares he may acquire upon conversion of the Series A Preferred Stock (12,192 of which are owned as custodian for his children), 131,520 shares he may acquire upon exercise of warrants (including 77,159 shares owned by Taglich Brothers and 12,436 owned as custodian for his children) and 14,500 shares he may acquire upon exercise of options, in each case exercisable within 60 days.

(4) Includes 64,216 shares he may acquire upon exercise of options exercisable within 60 days.

(5) Includes 14,500 shares he may acquire upon exercise of options exercisable within 60 days.

(6) Includes 5,081 shares he may acquire upon conversion of Series A Preferred Stock, 1,016 shares he may acquire upon exercise of warrants and 14,500 shares he may acquire upon exercise of options, in each case exercisable within 60 days.

(7) Includes 20,005 shares he may acquire upon exercise of warrants and 14,500 shares he may acquire upon exercise of options, in each case exercisable within 60 days.

(8) Represents shares he may acquire upon exercise of options exercisable within 60 days,

(9) Includes 245,361 shares that may be acquired upon exercise of warrants, 740,376 shares that may be acquired upon conversion of Series A Preferred Stock and 287,242 shares that may be acquired upon exercise of options, in each case exercisable within 60 days.

Audit Committee Report to Stockholders

Pursuant to rules adopted by the SEC designed to improve disclosures related to the functioning of corporate audit committees and to enhance the reliability and credibility of financial statements of public companies, the Audit Committee of our Board of Directors submits the following report:

The Audit Committee of the Board of Directors is responsible for providing independent, objective oversight of the Company's accounting functions and internal controls. The Audit Committee is composed of three directors, each of whom is independent within the meaning of NYSE MKT 803A(2). The Audit Committee operates under a written charter approved by the Board of Directors.

Management is responsible for the Company's internal controls over financial reporting, disclosure controls and procedures and the financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with Public Company Accounting Oversight Board (PCAOB) standards and to issue reports thereon. The Audit Committee's responsibility is to monitor and oversee these processes. The Audit Committee has established a mechanism to receive, retain and process complaints on auditing, accounting and internal control issues, including the confidential, anonymous submission by employees, vendors, customers and others of concerns on questionable accounting and auditing matters.

In connection with these responsibilities, the Audit Committee met with management and the independent registered public accounting firm to review and discuss the December 31, 2015 audited consolidated financial statements. The Audit Committee also discussed with the independent registered public accounting firm the matters required by Statement on Auditing Standards Update No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the PCAOB in Rule 3200T. In addition, the Audit Committee received the written disclosures from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence, and the Audit Committee has discussed the independent registered public accounting firm's independence from the Company and its management.

Based upon the Audit Committee's discussions with management and the independent registered public accounting firm, and the Audit Committee's review of the representations of management and the independent registered public accounting firm, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for fiscal 2015 filed with the SEC.

The Audit Committee also has appointed, subject to stockholder ratification, Rotenberg Meril Solomon Bertiger & Guttilla, P.C. as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016.

Respectfully submitted,

THE AUDIT
COMMITTEE

Seymour G. Siegel,
Chairman
Robert C. Schroeder
David J. Buonanno

The Report of the Audit Committee should not be deemed filed or incorporated by reference into any other filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates the Report of the Audit Committee therein by reference.

PROPOSAL TWO:

APPROVAL OF AN AMENDMENT TO OUR ARTICLES OF INCORPORATION
INCREASING THE NUMBER OF SHARES OF PREFERRED STOCK
WE ARE AUTHORIZED TO ISSUE FROM 1,000,000 SHARES TO 3,000,000 SHARES,
INCLUDING 2,000,000 SHARES OF SERIES A PREFERRED STOCK

Introduction

Under our Articles of Incorporation we are authorized to issue 1,000,000 shares of preferred stock, par value \$0.001 per share, and 25,000,000 shares of common stock, par value \$0.001 per share (“Common Stock”). As of June 30, 2016, we had authorized the issuance of 900,000 shares of Series A Convertible Preferred Stock (the “Series A Preferred Stock”), of which 700,000 shares were issued and outstanding, and we had 7,573,165 shares of common stock issued and outstanding. At a meeting of our Board of Directors on June 2, 2016, for the reasons discussed below, our Board of Directors adopted, subject to approval of our stockholders at the Annual Meeting, an amendment to our Articles of Incorporation increasing the number of shares of preferred stock we are authorized to issue from 1,000,000 shares to 3,000,000 shares, including 2,000,000 shares of Series A Preferred Stock (the “Charter Amendment”). A copy of the Certificate of Amendment to Articles of Incorporation is annexed as Appendix A to this Proxy Statement.

Increase in Authorized Preferred Stock

We issued 700,000 shares of Series A Preferred Stock in a private placement completed in June 2016, including 175,000 shares issued to Michael Taglich and Robert Taglich, two of our directors and principal stockholders, upon surrender of certain promissory notes. Dividends on the Series A Preferred Stock are payable in cash or additional shares of Series A Preferred Stock (“PIK Shares”), or a combination of both. The PIK Shares, together with the shares of Series A Preferred Stock issued in the private placement, are sometimes referred to herein as the “Preferred Shares.” Under the terms of our Revolving Credit, Term Loan and Security Agreement with PNC Bank, National Association (the “Loan Agreement”), we may not be able to pay dividends on the Series A Preferred Stock in cash. Consequently, we may need to issue additional shares of Series A Preferred Stock in lieu of cash dividends. Although the certificate of designation authorizing the issuance of the Series A Preferred Stock permits us to increase the number of shares of Series A Preferred Stock we may issue without approval of our stockholders, the maximum number of shares of preferred stock we are authorized to issue under our Articles of Incorporation is 1,000,000 shares. On September 15, 2016, our Board of Directors authorized the issuance of 32,297 shares of Series A Preferred Stock in lieu of payment of cash dividends for the dividend period ended September 15, 2016,

In September 2016 we completed the private placement of \$2,720,000 principal amount of our 12% Subordinated Convertible Notes due December 31, 2017 (the “Notes”), together with warrants to purchase an aggregate of 110,556 shares of Common Stock (the “Warrants”), for a total purchase price of \$2,720,000. We issued the Notes since we did not have sufficient shares of preferred stock available. The Notes are automatically convertible into shares of Series A Preferred Stock at a price of \$10.00 per share, the stated value of the Series A Preferred Stock (the “Stated Value”), upon the filing of the Charter Amendment. We received net proceeds of approximately \$2,319,800 from the sale of the Notes, which was used to pay down our indebtedness under the Loan Agreement and for working capital. We also issued to Michael Taglich a Note in the principal amount of \$1,520,713, together with Warrants to purchase 61,817 shares of Common Stock, upon surrender for cancellation of promissory notes in the aggregate principal amount of \$1,500,000, together with accrued interest thereon and on notes previously exchanged for Series A Preferred Stock of \$20,713. In addition, we issued to Robert Taglich a Note in the principal amount of \$4,373, together with Warrants to purchase 177 shares of Common Stock, in consideration of the forgiveness of interest of \$4,373 accrued on notes previously exchanged for Series A Preferred Stock.

Terms of the Notes

The summary below describes the principal terms of the Notes. The summary is qualified in its entirety by the form of Note filed as Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on August 22, 2016 (the "Form 8-K").

Each Note will accrue interest on the outstanding principal amount of the Note commencing on the date of issuance at the annual rate of 12%. The principal amount of the Notes, together with all accrued interest, is due and payable on December 31, 2017. The Notes are junior and subordinate in right of payment to our indebtedness under the Loan Agreement

The outstanding principal amount plus accrued interest on the Notes is convertible at the option of the holder into shares of Common Stock at an initial conversion price of \$4.92, and is automatically convertible into shares of Series A Preferred Stock at a price equal to \$10.00 per share of Series A Preferred Stock upon the filing of the Certificate of Amendment.

Terms of the Series A Preferred Stock

The following summary of the powers, preferences, rights, qualifications and limitations of the Series A Preferred Stock is qualified in its entirety by the certificate of designation authorizing the issuance of the Series A Preferred Stock as filed with the Office of the Secretary of State of Nevada which was included as Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on June 1, 2016.

Dividends on the Series A Preferred Stock (the "Preferred Shares") are payable on a cumulative basis at an annual rate for the first two years after the date the Preferred Shares are first issued (the "Original Issue Date") of 12% of the Stated Value per share and thereafter at the annual rate of 16% of the Stated Value per share. Dividends are payable on the fifteenth day of March, June, September and December of each year, commencing on September 15, 2016 to holders of record on the first day of each dividend period. We may pay dividends in cash or in PIK Shares. If during the first two years after the Original Issue Date we fail to pay in respect of any dividend period a dividend at an annual rate of at least 8% of the Stated Value per share in cash, in addition to paying a sufficient number of PIK Shares so that the sum of the cash dividends and PIK Shares paid equals 12% per annum we will issue PIK Shares in an amount equal to the product of the proportion of the cash dividend not paid times 3% per annum. Thus, if no cash is paid in respect of a dividend due in the first two years, in respect of that dividend period we will issue PIK Shares at the rate of 15% per annum of the Stated Value per share. Thereafter if we fail to pay in respect of any dividend period a dividend at an annual rate of at least 10% of the Stated Value per share in cash, in addition to paying a sufficient number of PIK Shares so that the sum of the cash dividends and PIK Shares paid equals 16% per annum, we will issue PIK Shares in an amount equal to the product of the proportion of the cash dividend not paid times 3% per annum. Thus, if no cash is paid in respect of a dividend due after the first two years in respect of that dividend period we will issue PIK Shares at the annual rate of 19% per annum of the Stated Value per share. If we pay any portion of the dividends payable on our Series A Preferred Stock in PIK Shares, we are not permitted to pay cash dividends on our Common Stock during that dividend period.

Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, holders of Preferred Shares are entitled to be paid out of our assets legally available for distribution to stockholders, after payment of or provision for our debts and other liabilities, a liquidation preference of \$10.00 per Preferred Share, plus an amount equal to accrued and unpaid dividends (whether or not authorized or declared) up to but excluding the date of payment, before any payment is made to holders of Common Stock and any other class or series of capital stock ranking junior to the Series A Preferred Stock as to liquidation rights.

Holders of Series A Preferred Stock may elect at any time to convert their Preferred Shares into shares of Common Stock at the conversion rate of 2.0325 shares of Common Stock for each Preferred Share (equivalent to an initial conversion price of approximately \$4.92 per share of Common Stock). The conversion rate and the corresponding conversion price will be subject to certain anti-dilution and other adjustments, including stock splits, distributions in respect of the Common Stock and in the event of certain fundamental transactions such as mergers and other business combinations.

We may at our option, at any time and from time to time after the market price of a share of Common Stock is in excess of \$9.84 for 30 consecutive trading days, cause all of the Preferred Shares to be converted into shares of Common Stock at the then-prevailing conversion rate, subject to the certain conditions set forth in the certificate of designations.

Commencing May 26, 2018, we may redeem all of the Preferred Shares for a redemption price of \$10.00, plus accrued and unpaid dividends.

Holders of Preferred Shares vote on an as-converted basis, together with holders of Common Stock, as a single class, on the election of directors and all other matters presented to stockholders, except for matters as to which under applicable law and the certificate of designation a class vote of the holders of the Series A Preferred Stock is required. The Certificate of Designation provides that the affirmative vote of the holders of a majority of the then outstanding shares of Series A Preferred Stock is required to (a) alter or change adversely the powers, preferences or rights given to the Series A Preferred Stock or alter or amend the Certificate of Designation, (b) amend our articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of the Series A Preferred Stock, (c) increase the number of authorized shares of Series A Preferred Stock, unless such increase is necessary to issue PIK Shares, (d) authorize a new series of preferred stock with dividend, liquidation or redemption rights senior or pari passu to the Series A Preferred Stock or (e) enter into any agreement with respect to any of the foregoing.

In connection with the Note Offering, holders of a majority of the outstanding shares of Series A Preferred Stock consented to “an amendment of our Articles of Incorporation and the Certificate of Designation to permit the issuance of the number of shares of Series A Preferred Stock issuable upon conversion of the principal of and interest to accrue on Notes, estimated at approximately 550,000 shares assuming gross proceeds from the offering of the Notes of \$4,000,000, together with such number of shares as may be issued as PIK dividends during the next two years on such shares of Series A Preferred Stock.”

Terms of the Warrants

The summary below describes the principal terms of the Warrants. The summary is qualified in its entirety by the form of the Warrant filed as Exhibit 4.1 to the Form 8-K.

The Warrants are exercisable until July 31, 2021 at an exercise price of \$5.00 per share, subject to adjustment for stock splits, stock dividends on the Common Stock, and certain fundamental transactions, including recapitalizations, mergers and other business combination transactions. The Warrants may be exercised on a cashless basis for a lesser number of shares depending upon prevailing market prices at the time of exercise.

Effect of Charter Amendment

The Charter Amendment, if approved by stockholders, would increase the number of authorized shares of Series A Preferred Stock from 900,000 to 2,000,000. The number of shares of Series A Preferred Stock that would be issued upon the automatic conversion of the Notes would be 437,464 assuming the Charter Amendment is effective November 19, 2016. On September 15, 2016, our Board of Directors authorized the issuance of 32,297 shares of Series A Preferred Stock in lieu of payment of cash dividends on the 700,000 outstanding shares of Series A Preferred Stock. If we are unable to or elect to pay the accrued dividends payable on the outstanding shares of Series A Preferred Stock payable on December 15, 2016 in cash or otherwise elect to pay the accrued dividend in PIK Shares, we would have to issue 31,994 shares of Series A Preferred Stock. After giving effect to the conversion of the Notes into Series A Preferred Stock and the payment in PIK Shares of the dividends accrued through December 15, 2016, there will be an aggregate of approximately 1,201,822 shares of Series A Preferred Stock outstanding. If we are

unable to pay in cash the accrued dividend on such shares for the dividend periods ending March 15, 2017 through and including June 15, 2018, or otherwise elect to pay such dividend in PIK shares, we will issue an aggregate of approximately additional 296,767 PIK Shares.

In addition to the Preferred Shares required in the event we are unable to pay cash dividends on the Series A Preferred Stock, our Board of Directors believes that it is necessary, and in the best interests of our company and our stockholders, to increase the number of authorized shares of preferred stock we may issue to enable it to respond quickly to opportunities to raise capital in public or private offerings, as well as to enable it to act with flexibility to issue shares of preferred stock in connection with strategic acquisitions and other favorable opportunities that may arise to enhance our capital structure.

The Charter Amendment gives our Board of Directors authority to issue up to an additional 1,000,000 shares of “blank check” preferred stock from time to time in one or more series, pursuant to resolutions adopted by the Board in accordance with Section 78.196 of the Nevada Revised Statutes, each having the voting powers, if any, designations, powers, preferences, and the relative, participating, optional, or other rights, if any, and the qualifications, limitations, or restrictions thereof, of any unissued series of preferred stock, to fix the number of shares constituting such series, and to increase or decrease the number of shares of any such series, but not below the number of shares thereof then outstanding, without the delay attendant to obtaining stockholder approval for such issuance.

The purpose of authorizing the Board of Directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of a series of preferred stock may be appropriate for a financing or business acquisition opportunity where there is a sense of urgency.

Except for the additional Preferred Shares to be issued upon the automatic conversion of the Notes and the PIK Shares to be issued in the event we are unable to pay cash dividends on the Series A Preferred Stock, we have no present arrangements, agreements or understandings for the use of the additional shares proposed to be authorized. No additional action or authorization by the stockholders would be necessary prior to the issuance of any additional shares of preferred stock, unless required by applicable law or except for the consent of holders of a majority of the then outstanding shares of Series A Preferred Stock to the extent required under the Certificate of Designation. We reserve the right to seek a further increase in authorized shares, from time to time in the future as appropriate. Our Board of Directors does not at present intend to seek stockholder approval prior to any issuance of authorized preferred stock, except to the extent approval of the holders of the Series A Preferred Stock is required under the Certificate of Designation or is otherwise required by law.

None of the rights of the holders of our Series A Preferred Stock or Common Stock are being changed as a result of the adoption of the Charter Amendment and, therefore, the rights of the holders of our Series A Preferred Stock and Common Stock will remain unchanged, including the right of holders of Series A Preferred Stock to vote on an as-converted basis, together with holders of Common Stock who will continue to have one vote for each share of Common Stock in voting upon any action requiring a vote of the holders of Common Stock, including the election of directors, and the right of holders of Series A Preferred Stock to vote as a separate class on certain matters specified in the certificate of designation for the Series A Preferred Stock and as required under applicable law, except that the right to receive the net proceeds of any liquidation of our company and the right to receive dividends when and if declared by our Board of Directors are subject to and may be limited by, the preferential rights of holders of any series of preferred stock which may be issued by resolution of our Board of Directors.

The adoption of the Charter Amendment will not otherwise alter or modify the rights, preferences, privileges or restrictions of the Series A Preferred Stock or Common Stock.

We have not entered into any agreements and do not have any understanding or arrangements for any particular business combination and except for the additional 424,508 Preferred Shares to be issued upon the automatic conversion of the Notes and the PIK Shares to be issued in the event we are unable to pay cash dividends on the Series A Preferred Stock, we do not have any plans, arrangements or understandings, written or oral, to issue any of the shares that will be newly available as a result of the adoption of the Charter Amendment. The issuance in the future of such additional authorized shares of our preferred stock as a result of the adoption of the Charter Amendment may have the effect of diluting the earnings per share and book value per share, as well as the stock ownership and voting rights of the currently outstanding shares of Series A Preferred Stock and Common Stock. The effective increase in the number of authorized but unissued shares of our preferred stock may be construed as having an anti-takeover effect by permitting the issuance of such securities to purchasers who might oppose a hostile takeover bid or oppose any efforts to amend or repeal certain provisions our Articles of Incorporation, as amended, or bylaws.

Anti-Takeover Effects

Although the adoption of the Charter Amendment is not motivated by anti-takeover concerns and is not considered by our Board of Directors to be an anti-takeover measure, the availability of additional authorized shares of preferred stock could enable the Board of Directors to issue shares defensively in response to a takeover attempt or to make an attempt to gain control of our company more difficult or time-consuming. For example, shares of preferred stock could be issued to purchasers who might side with management in opposing a takeover bid that the Board of Directors determines is not in our best interests, thus diluting the ownership and voting rights of the person seeking to obtain

control of our company. In certain circumstances, the issuance of preferred Stock or common stock without further action by the stockholders may have the effect of delaying or preventing a change in control of our company, may discourage bids for our Common Stock at a premium over the prevailing market price and may adversely affect the market price of our Common Stock. As a result, increasing the authorized number of shares of our “blank check” preferred stock could render more difficult and less likely a hostile takeover, tender offer or proxy contest, assumption of control by a holder of a large block of our stock, and the possible removal of our incumbent management. We are not aware of any proposed attempt to take over our company or of any present attempt to acquire a large block of our Common Stock.

Financial Information

For financial information concerning our company, see our consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included on pages F-1 through F-36 and pages 15 to 28, respectively, of our Annual Report on Form 10-K for the year ended December 31, 2015 as filed with the SEC on April 4, 2016 and accompanying this proxy statement, which pages are incorporated herein by reference and our consolidated financial statements for the three and six months periods ended June 30, 2016 and Management's Discussion and Analysis of Financial Condition and Results of Operations included on pages 1 through 29 of our Quarterly Report on Form 10-Q/A filed with the SEC on August 19, 2016, which pages are incorporated herein by reference.

Consequences if Charter Amendment Is Not Approved by Stockholders

If stockholders do not approve the Charter Amendment at the Annual Meeting or otherwise prior to December 31, 2017, the Notes will become due and payable on December 31, 2017 and we will not be able to pay dividends on the outstanding shares of Series A Preferred Stock after June 15, 2016 in PIK Shares if PNC Bank, our senior lender under the Loan Agreement, does not permit us to pay any accrued dividends thereon in cash.

No Dissenter or Appraisal Rights

Stockholders do not have any dissenter or appraisal rights in connection with the Charter Amendment under Nevada law.

Required Vote

Approval of the Charter Amendment requires the receipt of the affirmative vote of a majority of the outstanding shares of Series A Preferred Stock, voting on an as converted basis, together with the outstanding shares of Common Stock.

THE BOARD RECOMMENDS A VOTE FOR APPROVAL OF THE CHARTER AMENDMENT

PROPOSAL THREE:

Independent Registered Public Accounting Firm

The Audit Committee has appointed Rotenberg Meril Solomon Bertiger & Guttilla, P.C. to serve as our independent registered public accounting firm and to audit our consolidated financial statements. Rotenberg Meril Solomon Bertiger & Guttilla, P.C. does not expect to have a representative present at the meeting of stockholders.

We are asking our stockholders to ratify the selection of Rotenberg Meril Solomon Bertiger & Guttilla, P.C. as our independent registered public accounting firm for the fiscal year ending December 31, 2016. Although ratification is not required by our By-laws or otherwise, the Board is submitting the selection of Rotenberg Meril Solomon Bertiger & Guttilla, P.C. to our stockholders for ratification because we value our stockholders' views on our independent registered public accounting firm and as a matter of good corporate practice. In the event that our stockholders fail to ratify the selection, it will be considered as a direction to the Board of Directors and the Audit Committee to consider the selection of a different firm. Even if the selection is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our best interests and the best interests of our stockholders.

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services.

Principal Accountant Fees and Services

As required by our Audit Committee charter, our Audit Committee pre-approved the engagement of Rotenberg Meril Solomon Bertiger & Guttilla, P.C. for all audit and permissible non-audit services. The Audit Committee annually reviews the audit and permissible non-audit services performed by our principal accounting firm and reviews and approves the fees charged by our principal accounting firm. The Audit Committee has considered the role of Rotenberg Meril Solomon Bertiger & Guttilla, P.C. in providing tax and audit services and other permissible non-audit services to us and has concluded that the provision of such services, if any, was compatible with the maintenance of such firm's independence in the conduct of its auditing functions.

During fiscal year 2015 and fiscal year 2014, the aggregate fees which we paid to or were billed by Rotenberg Meril Solomon Bertiger & Guttilla, P.C. for professional services were as follows:

| | Year Ended December 31, | |
|------------------------|-------------------------|------------|
| | 2015 | 2014 |
| Audit Fees (1) | \$ 405,000 | \$ 280,000 |
| Audit Related Fees (2) | 33,370 | 33,671 |
| Tax Fees (3) | 97,670 | 89,288 |
| | \$ 536,040 | \$ 402,959 |

(1) Fees for services to perform an audit or review in accordance with generally accepted auditing standards and services that generally only our independent registered public accounting firm can reasonably provide, such as the audit of our consolidated financial statements, the review of the financial statements included in our quarterly reports and for services that are normally provided by independent registered public accounting firms in connection with statutory and regulatory engagements.

(2) Fees for assurance and related services that are traditionally performed by our independent registered public accounting firm, such as audit attest services not required by statute or regulation, and consultation concerning financial accounting and reporting standards.

(3) Fees for tax compliance. Tax compliance generally involves preparation of original and amended tax returns, claims for refunds and tax payment planning services.

The proposal to ratify the Audit Committee's selection of Rotenberg Meril Solomon Bertiger & Guttilla, P.C. as our independent registered public accounting firm will require the affirmative vote of the holders of a majority of the votes cast in person or proxy by the holders of the Series A Preferred Stock and holders of shares of Common Stock voting as a single class.

THE BOARD OF DIRECTORS RECOMMENDS
A VOTE FOR THE ADOPTION OF PROPOSAL THREE

PROPOSAL FOUR:

Air Industries Group 2016 Equity Incentive Plan

On June 2, 2016, our Board of Directors adopted our 2016 Equity Incentive Plan (the "2016 Plan"). The 2016 Plan is virtually identical to the 2015 Equity Incentive Plan (the "2015 Plan"), adopted in March, 2015 and approved by our stockholders in June 2015. The Board is submitting the 2016 Plan to stockholders for their approval at the Annual Meeting. The proposal to approve the 2016 Plan will require the affirmative vote of the holders of a majority of the votes cast in person or proxy by the holders of the Series A Preferred Stock and holders of shares of Common Stock voting as a single class.

The material features of the 2016 Plan are outlined below. This summary is qualified in its entirety by reference to the complete text of the 2016 Plan. Shareholders are urged to read the actual text of the 2016 Plan in its entirety, which is set forth as Appendix B to this Proxy Statement.

Background and Purpose

The terms of the 2016 Plan provide for grants of stock options, stock appreciation rights, restricted stock, stock units, bonus stock, dividend equivalents, other stock related awards and performance awards that may be settled in cash, stock, or other property.

We adopted the 2016 Plan to provide a means by which employees, directors, and consultants of our Company and those of our subsidiaries and other designated affiliates, which we refer to together as our affiliates, may be given an opportunity to purchase our Common Stock, to assist in retaining the services of such persons, to secure and retain the services of persons capable of filling such positions, and to provide incentives for such persons to exert maximum efforts for our success and the success of our affiliates.

Summary of the 2016 Plan

Shares Available for Awards

The total number of shares of our Common Stock that may be subject to awards under the 2016 Plan is 350,000 shares. Under the 2016 Plan, the terms and number of options or other awards to be granted in the future are to be determined in the discretion of the plan administrator. Since no such determination regarding awards or grants has yet been made, the benefits or amounts that will be received by or allocated to our non-employee directors, executive officers and other eligible employees cannot be determined at this time. On April 6, 2015, we granted each of our six non-employee directors options to purchase 3,000 shares of Common Stock under our 2013 Equity Incentive Plan at an exercise price of \$10.05 per share, of which options to purchase 750 shares vested on the date of grant, with the remaining options vesting in quarterly installments of 750 shares on July 1, 2016, October 1, 2015 and January 1, 2016. On March 19, 2015, we granted James Sartori, our Vice President -- Chief Accounting Officer, options to purchase 11,000 shares of common stock at an exercise price of \$10.34 per share. On December 1, 2014, we granted Daniel R. Godin, our President and Chief Executive Officer, options to purchase 120,000 shares at an exercise price of \$10.12 per share, which vest in quarterly installments of 10,000 shares on the first day of March, June, September and December of each year commencing March 1, 2015 until fully vested as to 120,000 shares on December 1, 2017. On April 14, 2016, we granted options to purchase a total of 120,000 shares at an exercise price of \$5.92 per share to ten of our employees under the 2015 Plan. On June 2, 2016, we granted each of our six non-employee directors options to purchase 3,000 shares of Common Stock under our 2015 Equity Incentive Plan at an exercise price of \$4.64 per share, of which options to purchase 750 shares vested on the date of grant, with the remaining options vesting in quarterly installments of 750 shares on August 1, 2016, November 1, 2015 and February 1, 2017.

Limitations on Awards

The plan administrator may, in its discretion, proportionately adjust the number of shares covered by each outstanding Award, and the number of shares which have been authorized for issuance under the 2016 Plan but as to which no Awards have yet been granted or which have been returned to the 2016 Plan, the exercise or purchase price of each such outstanding Award, as well as any other terms that the plan administrator determines require adjustment for (1) any increase or decrease in the number of issued shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the shares, (2) any other increase or decrease in the number of issued shares effected without receipt of consideration by the Company, or (3) as the plan administrator may determine in its discretion, any other transaction with respect to Common Stock to which Section 424(a) of the Internal revenue Code of 1986, as amended (the “Code”), applies. Such adjustment shall be made by the plan administrator and its determination shall be final, binding and conclusive.

Eligibility

The persons eligible to receive awards under the 2016 Plan consist of officers, directors, employees, and consultants of our company and those of our affiliates. However, incentive stock options may be granted under the 2016 Plan only to our employees, including officers, and those of our affiliates. An employee on leave of absence may be considered as still in our employ or in the employ of an affiliate for purposes of eligibility under the 2016 Plan. Approximately 400 individuals are eligible to participate in the 2016 Plan.

Administration

The 2016 Plan is administered by our Compensation Committee or other committee appointed by our Board of Directors, or in the absence of any such committee, the Board of Directors (together, our Board of Directors and any committee(s) delegated to administer the Plan, including the Compensation Committee, are referred to as the “plan administrator”). The Compensation Committee, or such other committee appointed from time to time by the Board of Directors to administer the 2015 Plan, is intended to consist of three or more Non-Employee Directors, each of whom will be, to the extent required by Rule 16b-3 under the Exchange Act and the rules of the Financial Industry Regulatory Authority, a non-employee director as defined in Rule 16b-3, an “outside director” as defined under Section 162(m) of the Code and an “independent” director within the meaning of NYSE MKT Rule 303A.02. If for any reason the plan administrator does not meet the requirements of Rule 16b-3 of the Exchange Act or Section 162(m) of the Code, the validity of the awards, grants, interpretation or other actions of the plan administrator will not be affected. The plan administrator has the full authority to select those individuals eligible to receive awards and the amount and type of awards. Subject to the terms of the 2016 Plan, the plan administrator is authorized to select eligible persons to receive awards, determine the type and number of awards to be granted and the number of shares of our Common Stock to which awards will relate, specify times at which awards will be exercisable or may be settled (including performance conditions that may be required as a condition thereof), set other terms and conditions of awards, prescribe forms of award agreements, interpret and specify rules and regulations relating to the 2016 Plan, and make all other determinations that may be necessary or advisable for the administration of the 2016 Plan. The plan administrator may amend the terms of outstanding awards, in its discretion; provided that any amendment that adversely affects the rights of the award recipient must receive the approval of such recipient.

Stock Options and Stock Appreciation Rights

The plan administrator is authorized to grant stock options, including both incentive stock options, which we refer to as ISOs, and non-qualified stock options. In addition, the plan administrator is authorized to grant stock appreciation rights, which entitle the participant to receive the appreciation in our Common Stock between the grant date and the ex