

ARGAN INC  
Form DEF 14A  
May 02, 2014

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

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Argan, Inc.**  
**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

One Church Street  
Suite 201  
Rockville, MD 20850  
301-315-0027  
fax 301-315-0064  
www.arganinc.com  
May 9, 2014

Dear Fellow Argan, Inc. Stockholder:

You are cordially invited to attend our 2014 Annual Meeting of Stockholders to be held on Tuesday, June 24, 2014, at 11:00 a.m. local time, in the Jefferson Room of the Hilton Washington, DC/Rockville Hotel and Executive Meeting Center, located at 1750 Rockville Pike, Rockville, Maryland 20852-1699. The matters to be acted upon at the meeting are described in detail in the accompanying notice of annual meeting of stockholders and proxy statement.

We are pleased to be using the Securities and Exchange Commission rule that allows companies to furnish proxy materials to their stockholders primarily over the Internet. We believe that this process should expedite stockholders receipt of proxy materials, lower the costs of the annual meeting and also help to conserve natural resources by reducing the use of paper. On or about May 12, 2014, we will mail our stockholders a Notice of Internet Availability of Proxy Materials (the Notice) containing instructions on how to access our 2014 Proxy Statement and 2014 Annual Report and how to vote online. The Notice also includes instructions on how to request a paper copy of the proxy materials, including the notice of annual meeting, proxy statement, annual report and proxy card.

Whether or not you plan to attend the meeting, your vote is important and we encourage you to review our proxy materials and promptly cast your vote using the instructions provided in the Notice. You may vote your shares over the Internet or via a toll-free telephone number. Alternatively, if you requested or received a paper copy of the proxy materials by mail, you may vote over the Internet, you may vote by telephone, or you may sign, date and mail the proxy card in the envelope provided. Instructions regarding the three methods of voting are contained in the Notice and proxy card.

As described in the accompanying proxy statement, the Company's Board of Directors has approved the matters included in the proposals presented there, and believes that they are fair to, and in the best interests of, the Company's stockholders. Thank you for your continued support of Argan, Inc. and I look forward to seeing you on June 24th.

Very truly yours,

Rainer H. Bosselmann  
Chief Executive Officer

**Argan, Inc.**

**One Church Street, Suite 201**

**Rockville, Maryland 20850**

**Notice of**

**Annual Meeting of Stockholders**

**to Be Held Tuesday, June 24, 2014**

To Our Stockholders:

Our 2014 Annual Meeting of Stockholders (the Annual Meeting ) will be held on June 24, 2014 at 11:00 a.m., local time, in the Jefferson Room of the Hilton Washington, DC/Rockville Hotel and Executive Meeting Center, located at 1750 Rockville Pike, Rockville, Maryland 20852-1699, for the following purposes:

1. To elect eight directors to our Board of Directors, each to serve until our 2015 Annual Meeting of Stockholders and until his/her successor has been elected and qualified or until his/her earlier resignation, death or removal;
2. To ratify the appointment of Grant Thornton LLP as our independent registered public accountants for the fiscal year ending January 31, 2015;
3. To hold a non-binding advisory vote on our executive compensation (the say-on-pay vote); and
4. To transact any other business that may properly come before the 2014 Annual Meeting of Stockholders or any adjournment or postponement of the meeting.

These items of business are more fully described in the accompanying proxy statement. Only stockholders of record at the close of business on April 28, 2014 are entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement of the Annual Meeting.

Your vote is important. Whether or not you plan to attend the Annual Meeting in person, please cast your vote via either the Internet, telephone or mail before the Annual Meeting so that your shares will be represented at the Annual Meeting.

**BY ORDER OF THE BOARD OF  
DIRECTORS,**

Arthur F. Trudel  
Corporate Secretary

Rockville, Maryland

May 9, 2014

**Argan, Inc.**

**One Church Street, Suite 201**

**Rockville, Maryland 20850**

**Proxy Statement**

**May 9, 2014**

The accompanying proxy is solicited on behalf of the Board of Directors of Argan, Inc., a Delaware corporation (referred to herein as "Argan" or the "Company"), for use at the 2014 Annual Meeting of Stockholders (the "Annual Meeting") to be held on June 24, 2014, at 11:00 a.m., local time, in the Jefferson Room of the Hilton Washington, DC/Rockville Hotel and Executive Meeting Center, located at 1750 Rockville Pike, Rockville, Maryland 20852-1699. This proxy statement for 2014 (the "Proxy Statement") and the accompanying proxy card are being mailed starting on or about May 12, 2014 to stockholders of record on April 28, 2014. Our Annual Report on Form 10-K for the fiscal year ended January 31, 2014 (the "Annual Report") is enclosed with the Proxy Statement. At the Annual Meeting, stockholders will be asked to consider and vote upon the following three matters, and to transact any other business that may properly come before the Annual Meeting.

1. The election of eight directors to our Board of Directors, each to serve until our 2015 Annual Meeting of Stockholders and until his/her successor has been elected and qualified or until his/her earlier resignation, death or removal;
2. The ratification of the appointment of Grant Thornton LLP as our independent registered public accountants for the fiscal year ending January 31, 2015; and
3. The non-binding advisory approval of our executive compensation as described in this Proxy Statement (the "say-on-pay" vote).

If a proxy is properly executed and returned to the Company via either the Internet, telephone or mail in time for the Annual Meeting and is not revoked prior to the time it is exercised, the shares represented by the proxy will be voted in accordance with the directions specified therein for the matters listed on the proxy card. Unless the proxy specifies that it is to be voted against or is an abstention on a listed matter, proxies will be voted FOR the election to our Board of Directors of each of the eight nominees identified in Proposal 1; FOR Proposals 2 and 3; and otherwise in the discretion of the proxy holders as to any other matter that may come before the Annual Meeting.

**INFORMATION CONCERNING VOTING AND PROXY SOLICITATION**

**Internet Availability of Proxy Materials**

As permitted by rules of the Securities and Exchange Commission (the "SEC"), we are making our Proxy Statement and Annual Report available to our stockholders primarily via the Internet, rather than mailing printed copies of these materials to each stockholder. We believe that this process will expedite stockholders' receipt of proxy materials, lower the costs of the Annual Meeting and help to conserve natural resources.

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On or about May 12, 2014, we will begin mailing to each stockholder (other than those who previously requested electronic delivery of all materials or previously elected to receive delivery of a paper copy of the proxy materials) a Notice of Internet Availability of Proxy Materials (the Notice ) containing instructions on how to access and review the proxy materials on the Internet, including our Proxy Statement and Annual Report for the current year, and how to access an electronic proxy card to vote on the Internet or by telephone. The Notice will also contain instructions on how to receive a paper copy of the proxy materials. If you receive a Notice by mail, you will not receive a printed copy of the proxy materials unless you request one. If you receive a Notice by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice.

If the shares you own are held in street name by a bank or brokerage firm, they may provide you with a Notice. Follow the instructions on that Notice to access our proxy materials and vote online, or to request a paper copy of our proxy materials. If you received these materials in paper form, the materials should include a voting instruction card so you can instruct your broker, bank or other holder of record how to vote your shares.



## Voting

Each stockholder is entitled to one vote for each share of Argan, Inc. common stock ( Common Stock ) that the stockholder owns as of April 28, 2014 with respect to all matters presented at the Annual Meeting. Stockholders do not have the right to cumulate their votes in the election of directors.

## Record Date

Only stockholders of record at the close of business (5:00 p.m. EDT) on April 28, 2014 (the Record Date ) are entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement thereof. Stockholders of record will be entitled to one vote for each share of Common Stock held. For information regarding holders of more than 5% of the outstanding Common Stock, see the Principal Stockholders chart included herein.

## Outstanding Shares

At the close of business on the Record Date, April 28, 2014, there were 14,329,401 shares of Common Stock outstanding. The closing price of our Common Stock on the Record Date, as reported by the NYSE, was \$27.12 per share.

## Quorum; Effect of Abstentions and Broker Non-Votes

A majority of the shares of Common Stock outstanding on the Record Date, present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. If stockholders indicate on their proxy card that they wish to abstain from voting, including brokers holding their customers' shares of record who cause abstentions to be recorded, these shares are considered present and entitled to vote at the Annual Meeting. These shares will count toward determining whether or not a quorum is present. However, these shares will not be taken into account in determining the outcome of any of the proposals.

If a stockholder does not give a proxy to his/her broker with instructions as to how to vote the shares, the broker has authority under New York Stock Exchange (NYSE) rules to vote those shares for or against routine matters, such as the ratification of Grant Thornton LLP as our independent registered public accountants. Brokers cannot vote on their customers' behalf on non-routine proposals. If a broker votes shares that are unvoted by its customers for or against routine proposals, these shares are counted for the purpose of determining the outcome of such routine proposals as well as for the purpose of establishing a quorum.

Broker non-votes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because (1) the broker holding shares in street name for the beneficial owner thereof does not receive voting instructions from the beneficial owner, and (2) the broker lacks discretionary authority to vote the shares. Banks and brokers cannot vote on their clients' behalf on non-routine proposals. Therefore, broker non-votes are not counted for the purpose of determining whether stockholders have approved these types of matters. For the purpose of determining whether stockholders have approved a matter, abstentions are treated as shares present or represented.

**Among other matters, the NYSE rules do not grant brokers discretionary authority to vote on the election of directors or the proposal to approve the compensation of named executive officers. Therefore, if you hold your shares of Common Stock in street name and do not provide voting instructions to your broker, your shares will not be voted in these matters. We urge you to promptly provide voting instructions to your broker to ensure that your shares are voted in these matters. Please follow the instructions set forth in the Notice provided by your bank or broker.**

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The effects of broker non-votes and abstentions (i.e. if you or your broker mark **ABSTAIN** on a proxy card) on the counting of votes for each proposal are described below.

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## **Voting Rights; Required Vote**

Holders of Common Stock are entitled to one vote for each share held as of the Record Date. The votes required to approve each proposal are as follows:

**Election of Directors.** Directors will be elected by a plurality of the votes of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote in the election of directors which is considered a non-routine matter. Abstentions and broker non-votes will not be taken into account in determining the outcome of the election of directors.

**The Say-on-Pay Vote.** This matter is considered non-routine. As such, approval of the say-on-pay proposal requires the affirmative vote by holders of at least a majority of the shares of Common Stock who attend the Annual Meeting in person, or are represented at the Annual Meeting by proxy. Abstentions will have the effect of a vote against this proposal. Broker non-votes will not be taken into account in determining the outcome of the vote on this matter.

**Ratification of Accountants.** Approval of this proposal, which is considered to be routine, requires the affirmative vote by holders of at least a majority of the shares of Common Stock who attend the Annual Meeting in person, or are represented at the Annual Meeting by proxy. Abstentions will have the effect of a vote against this proposal, while broker non-votes will not be taken into account in determining the outcome of the vote on this proposal.

You may revoke your proxy at any time before it is voted by delivering written notice of revocation to the Corporate Secretary at Argan, Inc., One Church Street, Suite 201, Rockville, Maryland 20850, by executing and delivering a subsequently dated proxy, or by attending the Annual Meeting and voting in person. Proxies solicited by our Board of Directors will be voted in accordance with the directions given therein. Unless so revoked, the shares represented by such proxies will be voted at the Annual Meeting and all adjournments thereof. Where no instructions are indicated, proxies will be voted in accordance with the recommendations of the Board of Directors with respect to the proposals described herein.

A quorum of stockholders is necessary to take action at the Annual Meeting. The presence, in person or by proxy, of the holders of a majority of the shares of Common Stock entitled to vote at the meeting will constitute a quorum. Votes cast by proxy or in person at the meeting will be tabulated by the inspector of elections appointed for the Annual Meeting and will be counted as present for purposes of determining whether a quorum is present. The inspector of elections will treat broker non-votes as present and entitled to vote for purposes of determining whether a quorum is present.

Our Named Executive Officers and the members of our Board of Directors will vote the shares of Common Stock beneficially owned or controlled by them (representing approximately 11% of the shares of Common Stock issued and outstanding as of January 31, 2014) in favor of each of the proposals discussed above.

## **Voting of Proxies**

If you complete and return a proxy pursuant to the appropriate instructions, it will be voted in accordance with the specifications made on the proxy card. If no specification is made on a submitted proxy, the shares represented by the proxy will be voted FOR the election to the Board of Directors of each of the eight nominees named on the proxy card; FOR Proposals 2 and 3; and FOR any other matter that may be properly brought before the Annual Meeting. If you attend the Annual Meeting, you may also vote in person, and any previously submitted votes will be superseded by the vote you cast in person at the Annual Meeting.

## **Adjournment of Meeting**

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If a quorum is not present to transact business at the Annual Meeting or if we do not receive sufficient votes in favor of the proposals by the date of the Annual Meeting, the persons named as proxies may propose one or more adjournments of the meeting to permit solicitation of proxies. Any adjournment would require the affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting.

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**Expenses of Soliciting Proxies**

After the original mailing of the proxy cards and other soliciting materials, we will request that brokers, custodians, nominees and other record holders of our Common Stock forward copies of the proxy cards and other soliciting materials to persons for whom they hold shares and request authority for the exercise of proxies. We may reimburse brokers, nominees and other fiduciaries for their reasonable expenses in forwarding proxy materials to beneficial owners.

We and/or our agents may also solicit proxies by mail, telephone, telegraph, facsimile, e-mail or in person. The other expenses of solicitation, including the cost of printing and mailing, will be paid by us.

**Revocability of Proxies**

Any person submitting a proxy via the Internet, telephone or mail has the power to revoke it at any time before it is voted. A proxy may be revoked by submitting a properly completed proxy with a later date, by delivering a written notice of revocation to Continental Stock Transfer & Trust Company (our stock transfer agent) at 17 Battery Place, New York, New York 10004 or to the Corporate Secretary at Argan, Inc., One Church Street, Suite 201, Rockville, Maryland 20850, or by attending the Annual Meeting and voting in person. The mere presence at the Annual Meeting of a stockholder who has previously appointed a proxy will not revoke the appointment. Please note, however, that if a stockholder's shares are held of record by a broker, bank or other nominee and that stockholder wishes to vote at the meeting, the stockholder must bring to the Annual Meeting a letter from the broker, bank or other nominee confirming the stockholder's beneficial ownership of the Common Stock and that the broker, bank or other nominee is not voting the shares at the Annual Meeting.

**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

The members of our Board of Directors are elected annually and hold office until the next annual meeting of stockholders and until their successors have been elected and shall have been qualified. Vacancies and newly-created directorships resulting from any increase in the number of authorized directors may be filled by a majority vote of the directors then in office.

At the Annual Meeting, our stockholders are being asked to elect eight individuals to our Board of Directors, all of whom currently serve in that capacity. Unless a stockholder withholds authority, the holders of proxies representing shares of Common Stock will vote **FOR** the election of each of the nominees listed below.

Proxies cannot be voted for a greater number of persons than the number of nominees named. If any nominee for any reason is unable to serve or for good cause will not serve, the proxies may be voted for such substitute nominee as the proxy holder may determine. We are not aware of any nominee who will be unable to or for good cause will not serve as a member of our Board of Directors. However, if a nominee shall be unavailable for any reason, then the proxies may be voted for the election of such person as may be recommended by the Board of Directors.

**Directors/Nominees**

The names of the nominees, their ages as of April 30, 2014, and certain information about them are set forth below:

| Name | Age | Position |
|------|-----|----------|
|------|-----|----------|

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|                         |    |                       |
|-------------------------|----|-----------------------|
| Rainer H. Bosselmann    | 71 | Chairman of the Board |
| Henry A. Crumpton       | 57 | Director              |
| Cynthia A. Flanders     | 59 | Director              |
| William F. Griffin, Jr. | 59 | Director              |
| William F. Leimkuhler   | 62 | Director              |
| W.G. Champion Mitchell  | 67 | Director              |
| James W. Quinn          | 56 | Director              |
| Brian R. Sherras        | 56 | Director              |

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**Rainer H. Bosselmann.** Mr. Bosselmann has been a director and Chairman of the Board of Directors since May 2003 and our Chief Executive Officer since October 2003. Mr. Bosselmann was a director and Vice Chairman of the Board from January 2003 to May 2003. Mr. Bosselmann was Chairman of the Board, Chief Executive Officer and a director of Arguss Communications, Inc. ( Arguss ), a telecommunications infrastructure company listed on the New York Stock Exchange, from 1996 through 2002 and President of Arguss from 1997 through 2002. From 1991 through 1995, Mr. Bosselmann served as Vice Chairman of the Board and President of Jupiter National, Inc. ( Jupiter National ), a business development company then listed on the American Stock Exchange. Mr. Bosselmann currently serves as a director of The Roberts Company (since 2008), a privately owned firm. Mr. Bosselmann served as a director of Midasco LLC from 2008 until 2011 and Morgan Contracting Inc. from 2010 until 2013, both privately owned firms.

Mr. Bosselmann's long tenure as CEO and Chairman positions him to contribute to the Board his extensive knowledge of the Company, its history and development, and to provide critical continuity to the Board of Directors. As CEO of Arguss and then the Company, he has developed substantial expertise in managing public companies with diverse and remotely-located business operations, and in identifying, executing and integrating acquisitions. He possesses the leadership skills that are important to the Board of Directors and the Company.

**Henry A. Crumpton.** Ambassador Crumpton has been a member of our Board of Directors since February 2008. Ambassador Crumpton has been President of the Crumpton Group since February 2007. He was Ambassador-at-Large for Counterterrorism at the United States Department of State from August 2005 to February 2007. Ambassador Crumpton was Chief of the National Resources Division at the Central Intelligence Agency from 2003 to August 2005.

Ambassador Crumpton's distinguished career as a senior official for a variety of federal agencies in various positions has provided him with extensive experience in executive management. He has demonstrated success in assembling teams of diverse, high-level individuals and in directing their efforts to achieve specific objectives. In addition, the Board values his expertise and experience with the development, coordination and implementation of important organizational policies.

**Cynthia A. Flanders.** Ms. Flanders has been a member of our Board of Directors since April 2009. In 2009, she founded Skipjack Partners LLC, a woman-owned consultancy doing business as Manage Fearlessly, an Internet resource for managers and entrepreneurs. Since October 2013, she has also served as a senior advisor for Verit Advisors LLC, an independent investment bank advisory firm that specializes in ESOPs and other ownership transitions. From 1975 through 2009, Ms. Flanders held a series of positions of increasing responsibility with Bank of America and its predecessor organizations (the Bank ). Ultimately, she served as the Global Commercial Banking Executive for the Bank's Mid-Atlantic region overseeing eight commercial banking markets and over 80 client teams delivering a full array of financial services to over 6,000 small, middle market and micro cap clients in the Mid-Atlantic region. From 2000 to 2008, as a Commercial Market Executive, Ms. Flanders led twelve client management teams covering middle market clients and prospects throughout Maryland and the Washington, D.C. metropolitan area. In addition to spending over 20 years in commercial banking, Ms. Flanders also worked in the consumer banking, operations and finance organizations of the Bank.

With her long career at the Bank, Ms. Flanders brings to the Board and the Company considerable experience in executive management and strategic planning, as well as expertise in financial analysis and capital structuring. Her many years of lending to businesses in the Mid-Atlantic region have provided her with a unique understanding of our business and the construction industry. In addition, she represents an important resource for consultation regarding commercial banking matters.

**William F. Griffin, Jr.** Mr. Griffin was appointed to the Board of Directors in April 2012. He is a co-founder of Gemma Power Systems, LLC and its affiliated companies ( Gemma ), all wholly-owned subsidiaries of Argan since their acquisition in December 2006. Mr. Griffin is a veteran of power plant construction with over 35 years of related

experience. He has been Vice Chairman of Gemma since November 2007 and Chief Executive Officer of Gemma since September 2008. From September 2008 to January 2009, he was also President of Gemma. From December 2006 to November 2007, he was Chief Executive Officer of Gemma. Under Mr. Griffin's leadership, Gemma has broadened its activities into the growing renewable energy industry by providing engineering, procurement and construction services to the owners of alternative energy power plants, including biomass, wind and solar facilities. The revenues of Gemma represented approximately 96% of our consolidated revenues for the year ended January 31, 2014.



With Mr. Griffin's appointment, our Board of Directors added a second member with significant senior executive experience in the energy-related construction sector. Also, as the only member of the senior management of one of our operating companies to serve on our Board, Mr. Griffin contributes an in-depth understanding of our business not easily attainable by an outside member of our Board. Based on the extent of his experience, the Board of Directors benefits from Mr. Griffin making important and savvy contributions to its deliberations regarding our strategic direction and the selection of potential business partners for large future construction projects.

**William F. Leimkuhler.** Mr. Leimkuhler has been a member of our Board of Directors since June 2007. He has been General Counsel and Director of Business Development of Paice Corporation, a privately held developer of hybrid electric powertrains, since 1999. Mr. Leimkuhler also advises a number of technology-based companies on business, financial and legal matters, including corporate and commercial transactions, licensing and other intellectual property matters and business valuations. From 1994 through 1999, he held various positions with Allen & Company LLC (Allen), a New York investment banking firm, initially serving as the firm's General Counsel. Prior to that, Mr. Leimkuhler was a corporate partner with the New York law firm of Werbel & Carnelutti (now Heller Ehrman White & McAuliffe). Mr. Leimkuhler is a director of U.S. Neurosurgical, Inc. (OTCBB: USNU), and also serves on the board of a number of privately held companies. He served as a director of Integral Systems, Inc. (NASDAQ: ISYS) and Speedus Corp. (NASDAQ: SPDE) for over five (5) years until 2011.

The experience that Mr. Leimkuhler has developed as a legal executive with an investment banking firm, a securities law firm partner and a board member for other public companies makes him a valuable member of our Board, and a well-qualified Audit Committee chairman. He is a respected source of legal guidance to the members of the executive management team and the members of our Board of Directors and provides special insight to them on matters relating to financial reporting and corporate governance requirements.

**W.G. Champion Mitchell.** Mr. Mitchell has been a member of our Board of Directors since October 2003. From January 2003 until March 2008, Mr. Mitchell was Chairman of the Board and Chief Executive Officer of Network Solutions, Inc. which was engaged in the creation, marketing and management of digital identity and web presence products. From August 2001 to 2003, Mr. Mitchell was Executive Vice President and General Manager, Mass Markets Division, of VeriSign Inc. which is a provider of critical Internet infrastructure services. From May 1999 to March 2000, Mr. Mitchell was Chairman, President and Chief Executive Officer of Convergence Equipment Company, a telephony switch manufacturer. Mr. Mitchell currently serves as a director of two privately-held companies, Direct Brands, Inc. and The 41<sup>st</sup> Parameter, Inc.

Mr. Mitchell brings to the Board business leadership skills honed as a former chief executive officer for a series of companies. This background makes him a valuable source of advice and consultation for the management team and the other members of the Board as we address the contemporary issues facing public companies today. His many years of experience as a corporate executive and his length of service on our Board provide him with a unique capability to assess the needs of the Board and to evaluate the value of potential Board members, and with substantial insight into management, operational and financial matters, and knowledge of market conditions and trends.

**James W. Quinn.** Mr. Quinn has been a member of our Board of Directors since May 2003. Mr. Quinn is currently a Managing Director of Allen. Since 1982, Mr. Quinn has served in various capacities at Allen and its affiliates, including head of the Corporate Syndicate Department and Chief Financial Officer for approximately ten years. Mr. Quinn served as a director of Arguss from 1999 through 2002. He also serves as a director on the boards of several privately held companies and charitable organizations.

Mr. Quinn's experience with financial and investment banking matters at Allen and his terms of service on the boards of the Company and Arguss make him a valued member of our Board and chair of the Board's Compensation Committee. His many years of experience allow him to counsel the Board on matters such as executive compensation, mergers and acquisitions, capital structure, financings and strategic planning and to provide insightful views on public

company reporting matters and general business trends.

**Brian R. Sherras.** Mr. Sherras was appointed to our Board of Directors in March 2012. He holds the position of Director Sales and Business Development for Atlantic Projects Company Ltd. ( APC ), a management-owned limited liability company registered in Ireland that provides construction, engineering and maintenance services to the power generation sector with a historical focus on the installation of gas and steam turbines for combined cycle natural gas-fired power plants. He is responsible for global sales and business development. Prior to joining APC in 1999, Mr. Sherras held a succession of technical and management positions with the Power Systems group of General Electric Company.

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The significance of Mr. Sherras' experience in our industry makes him an important member of our Board of Directors as we consider various opportunities to expand our business. His wealth of knowledge about the construction of turbine-based power plants, especially overseas projects, is a valuable element in the spectrum of business experience represented by the members of our Board of Directors.

### Composition of Board of Directors

The number of directors which shall constitute the whole Board of Directors shall be not less than four or more than ten. The eight current directors will stand for re-election at the Annual Meeting as described in this Proxy Statement.

### Director Attendance at the Annual Meeting

All members of our Board of Directors are expected to attend annual meetings of stockholders. All of our directors attended last year's annual meeting, and we expect that all of our directors will attend this year's Annual Meeting.

### Board of Directors Meetings and Committees

During the fiscal year ended January 31, 2014, the Board of Directors met four (4) times, and acted by unanimous written consent on seven (7) other occasions. All Board members were present for the meetings held during the year or participated by telephone conference.

Currently, the Board has four standing committees: the Executive Committee, the Audit Committee, the Compensation Committee, and the Nominating/Corporate Governance Committee. The functions of each of these committees and their members are specified below. The latter three committees operate under updated written charters which were reviewed and affirmed by the Board in June 2013 in order to meet the requirements of the New York Stock Exchange Listed Company Manual. These charters, as well as the Board's Governance Guidelines, are available on our website at [www.arganinc.com](http://www.arganinc.com).

The Executive Committee is comprised of Messrs. Bosselmann (who is the chairman of this committee), Mitchell and Quinn. The Executive Committee, which held no meetings during the fiscal year ended January 31, 2014, is authorized to exercise the general powers of the Board of Directors in managing the business and affairs of the Company between meetings. The members of the other three currently standing committees are identified in the following table.

| <b>Director</b>        | <b>Audit<br/>Committee</b> | <b>Compensation<br/>Committee</b> | <b>Nominating/<br/>Corporate Governance<br/>Committee</b> |
|------------------------|----------------------------|-----------------------------------|---|
| Henry A. Crumpton      |                            |                                   | Member  |
| Cynthia A. Flanders    | Member                     | Member                            |   |
| William F. Leimkuhler  | Chairman                   | Member                            |   |
| W.G. Champion Mitchell |                            |                                   | Chairman  |
| James W. Quinn         |                            | Chairman                          | Member  |
| Brian R. Sherras       | Member                     |                                   |   |

The Board has determined that the following members of the Board are independent directors, as such term is defined in Section 303A of the NYSE Listed Company Manual: Messrs. Leimkuhler, Mitchell, Quinn, Sherras, Ambassador Crumpton and Ms. Flanders. The independent directors meet from time to time in executive session without the other members.

***Audit Committee.*** During the fiscal year ended January 31, 2014, the Audit Committee met five (5) times by telephone conference. All members participated in each of these meetings. The members of the Audit Committee are all independent directors under applicable SEC and stock exchange rules. In addition, the Board of Directors has determined that at least one of the independent directors serving on the Audit Committee, Mr. Leimkuhler, is an audit committee financial expert, as that term has been defined by SEC rules.

The original written charter of the Audit Committee was adopted in October 2003. The charter was most recently updated and approved by the Board in June 2013. The Audit Committee assists the full Board of Directors in its oversight responsibilities relating to the integrity of our published consolidated financial statements, our financial disclosure controls and our system of internal control over financial reporting. This group considers and approves the employment of, and approves the fee arrangements with, independent registered public accountants for audit and other nonaudit services.

The Audit Committee meets with members of management and representatives of our independent registered public accounting firm in order to review the overall plan for the annual independent audits including the scope of audit testing and any other factors that may affect the effectiveness of the audits. The Audit Committee discusses with management and the auditors our major financial and operating risks, the steps that management has taken to monitor and manage such exposures, the results of the quarterly reviews and annual audits and any other matters required to be communicated to the Audit Committee pursuant to generally accepted auditing standards, the securities laws or listing standards. At the end of each of the first three quarters and subsequent to year-end, the members of the Audit Committee meet with management and the independent auditors to review the adequacy and accuracy of the information included in the applicable SEC filing including the disclosures made in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of each filing.

The expanded responsibilities of the Audit Committee now include requirements to meet with representatives of our internal auditing firm in order to review the scope of its annual audit plan and the results of its testing including the identification of any significant deficiencies or material weaknesses in the system of internal control over financial reporting and the discovery of any fraud regardless of materiality.

In addition, the Audit Committee maintains our procedures covering the receipt, retention and treatment of complaints we receive regarding accounting, internal controls or auditing matters, and the confidential or anonymous submissions by employees expressing concerns regarding questionable accounting or auditing practices.

**Compensation Committee.** The members held telephone discussions during and subsequent to the year ended January 31, 2014, primarily to review the performance of our Chief Executive Officer and Chief Financial Officer. The review resulted in the approval by the Compensation Committee, and the independent directors in April 2014, of cash bonus payments and awards of options to purchase Common Stock relating to the year ended January 31, 2014. The achievements of the chief executive officer of Gemma were also reviewed which resulted in the committee's approval and the independent directors' ratification of special cash bonuses of \$1,000,000 related to the sale upon permanent financing of each of the two Moxie Projects that are discussed in Note 3 to our consolidated financial statements for the year ended January 31, 2014. Development success fees earned by Gemma during the year ended January 31, 2014 totaled approximately \$27.1 million. These amounts, and an additional discretionary bonus award in the amount of \$100,000, were awarded in addition to his contractual annual minimum bonus amount of \$400,000 due to the extraordinary performance of Gemma for the year.

The members of the Compensation Committee are independent directors under applicable stock exchange rules. No member of the Compensation Committee has ever been an officer or employee of the Company.

The written charter for the Compensation Committee, which was originally adopted in April 2004, was updated in June 2013. The Compensation Committee is responsible for implementing and reviewing executive compensation plans, policies and programs in an effort to ensure the attraction and retention of executive officers in a reasonable and cost-effective manner, to motivate their performance in the achievement of our business objectives and to align the interests of executive officers with the long-term interests of our stockholders. To that end, it is the responsibility of the Compensation Committee to develop and approve periodically a general compensation plan and salary structure for our executive officers that considers business and financial objectives, industry and market pay practices and/or such other information as may be deemed appropriate. It is the responsibility of the Compensation Committee to

review and recommend for approval by the independent directors of the full Board of Directors the compensation (salary, bonus and other compensation) of our Chief Executive Officer, to review and approve the compensation (salary, bonus and other compensation) of our other executive officers, and to review and approve perquisites offered to our executive officers. The Compensation Committee shall also review and approve corporate goals and objectives relevant to the compensation of our executive officers, evaluate performance in light of the goals and objectives, and review and approve all employment, retention and severance agreements for our executive officers.

The Compensation Committee acts on behalf of the Board of Directors in administering compensation plans approved by the Board and/or the stockholders (including the Argan, Inc. 2011 Stock Plan) in a manner consistent with the terms of such plans, reviews and makes recommendations to the Board of Directors with respect to new compensation, incentive and equity-based plans, and reviews and makes recommendations to the Board on changes in major benefit programs for our executive officers. The Compensation Committee also reviews the management succession program for the Chief Executive Officer and selected other executive officers.

***Nominating/Corporate Governance Committee.*** The initial written charter of the committee now known as the Nominating/Corporate Governance Committee was adopted in April 2004, and it was also updated in June 2013. Pursuant to its expanded duties and responsibilities, this committee provides oversight of our corporate governance affairs including the consideration of risks, and assesses the full Board's performance annually in accordance with procedures established by it.

This committee has been primarily responsible for identifying individuals qualified to become members of our Board of Directors, and for recommending to the Board of Directors the persons to be nominated by the Board for election as directors at the annual meeting of stockholders and the persons to be elected by the Board of Directors to fill any vacancies on the Board.

The Nominating/Corporate Governance Committee considers the gender and ethnic diversity of the Board of Directors and uses certain other selection criteria as a guide in its selection process including the following: (i) nominees should have a reputation for integrity, honesty and adherence to high ethical standards; (ii) nominees should have demonstrated business acumen, experience and ability to exercise sound judgments in matters that relate to our current and long-term business objectives and should be willing and able to contribute positively to our decision-making process; (iii) nominees should have a commitment to understand the Company and its industry and to regularly attend and participate in meetings of the Board of Directors and its committees; (iv) nominees should have the interest and ability to understand the sometimes conflicting interests of our various constituencies, which include stockholders, employees, customers, governmental units, creditors and the general public, and to act in the interests of all stockholders; and (v) nominees should not have, or appear to have, a conflict of interest that would impair the nominee's ability to represent the interests of all of our stockholders and to fulfill the responsibilities of a director. Nominees shall not be discriminated against on the basis of race, religion, national origin, sex, sexual orientation, disability or any other basis proscribed by law.

The Nominating/Corporate Governance Committee is also responsible for reviewing with the Board of Directors, on an annual basis, the requisite skills and criteria for new Board members as well as the composition of the Board as a whole. The Board of Directors believes that the Board, as a whole, should include individuals with a diverse range of experience to give the Board both depth and breadth in the mix of skills represented for the benefit of our stockholders. To that end, the Board endeavors to include in its overall composition an array of targeted skills that complement one another rather than requiring each director to possess the same skills, perspective and interests. Accordingly, this committee and the full Board consider the qualifications of directors and director nominees both individually and in the broader context of the Board's overall composition and the Company's current and future needs.

The group will consider nominees for the Board of Directors recommended by stockholders. Nominations by stockholders must be in writing, must include the full name of the proposed nominee, a brief description of the proposed nominee's business experience for at least the previous five years, and a representation that the nominating stockholder is a beneficial or record owner of our Common Stock. Any such submission must also be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. This committee is required to review the qualifications and backgrounds of all directors and nominees (without regard to whether a nominee has been recommended by stockholders), as well as the overall composition of the Board of Directors. Nominations must be delivered to the committee's attention at our headquarters address.

**Board Leadership and Risk Oversight**

Mr. Bosselmann, our Chief Executive Officer, currently serves as the Chairman of our Board of Directors. Mr. Griffin is also a member of management. Six of the eight members of the Board are considered to be independent based on the Board's consideration of our independence standards and the applicable New York Stock Exchange independence standards including the requirements set forth in Section 303A.02(a)(ii) of the NYSE Listed Company Manual. The Board believes that its current leadership structure provides independent Board leadership and engagement while also deriving the benefit of having our Chief Executive Officer serve as Chairman of the Board. The Board has determined that Mr. Bosselmann, the individual with primary responsibility for managing the Company's day-to-day operations, is best positioned to chair regular Board meetings and to lead and facilitate discussions of key business and strategic issues.



The Board periodically reviews the structure of the Board. As set forth in our bylaws, the Board is empowered to choose any one of its members (and not just the Chief Executive Officer) as Chairman of the Board. The Board believes that we have best corporate practices in place to ensure that the Company maintains a strong and independent Board, the highest standards of corporate governance and the continued accountability of the Chief Executive Officer to the Board. This structure is evidenced by the composition of the current Board of Directors and its Audit, Compensation and Nominating/Corporate Governance Committees.

All of the members of such committees are independent directors. Consequently, independent directors directly oversee critical matters such as the remuneration policy for executive officers, succession planning, our corporate governance guidelines, policies and practices, the director nomination process, our corporate finance strategies and initiatives, and the integrity of our consolidated financial statements and internal control over financial reporting.

Mr. Quinn has been designated by the Board as the lead independent director. As the primary liaison between the Chairman of the Board and the independent directors, his documented duties and responsibilities include (1) approving Board meeting schedules and agendas; (2) approving the type of information provided to the directors in connection with each meeting of the Board; (3) presiding over all meetings of the Board at which the Chairman of the Board is not present, including executive sessions of the independent directors; (4) providing feedback to the Chairman of the Board on issues considered at such meetings; (5) calling meetings of the independent directors when deemed necessary and appropriate; and (6) performing such other duties as the Board from time to time may determine.

One of the Board's key functions is oversight of our risk management process. The Board administers its oversight function directly through the Board as a whole, which has the ultimate oversight responsibility for the risk management process, as well as through the standing Audit, Compensation and Nominating/Corporate Governance Committees that address risks inherent in their respective areas of oversight. The whole Board monitors the effectiveness of our corporate codes of conduct and ethics, including whether they are successful in preventing wrongful conduct, and risks associated with the independence of its members, potential conflicts of interest and succession planning.

Our Audit Committee considers and discusses our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment, risk management and our insurance program is undertaken. The Audit Committee also monitors compliance with legal and regulatory requirements, in addition to oversight of the performance of the internal assessments of our system of internal control over financial reporting and the audits conducted by our independent registered public accountants.

The Compensation Committee administers our stock plans, and reviews and recommends the salaries and bonuses paid to the executive officers while assessing whether any of our compensation policies and programs has the potential to encourage excessive risk-taking. The independent directors of the full Board approve the salary and bonus amounts paid to executive officers and approve all stock option awards. Senior management reports on enterprise risks issues, including operational, financial, legal and regulatory, and strategic and reputation risks, to the appropriate committee or to the full Board.

The entire Board and the committees receive reports on areas of material risk and, for each committee, the committee's area of oversight, from senior management, our internal audit firm, our independent registered public accountants, outside counsel, and other members of management and professional advisors. When one of the committees receives any such report, the chairman of the committee reports on the discussion to the full Board of Directors at the next Board meeting. This process enables the Board and its committees to coordinate the risk oversight role, particularly with respect to risk interrelationships.

In June 2013, the Board of Directors adopted a set of governance guidelines which are intended to provide a framework within which the the Board conducts its business. Among other items, the guidelines describe the basic responsibilities of a member of our Board and the requirements for the conduct of Board and committee meetings. As stated above, these governance guidelines are available on our website at [www.arganinc.com](http://www.arganinc.com).

## Compensation of Directors

Each non-employee member of our Board of Directors receives an annual fee of \$20,000, plus \$300 for each formal Board or committee meeting attended. Members of the Audit Committee receive an additional annual fee of \$5,000. Directors are reimbursed for reasonable expenses actually incurred in connection with attending each formal meeting of the Board of Directors or any committee thereof. Directors are also eligible for the award of options to purchase shares of our Common Stock.

The following table summarizes the fees and other compensation for the non-employee members of our Board of Directors for the fiscal year ended January 31, 2014:

| Name                   | Fees      | Stock Option Awards <sup>(1)</sup> | All Other Compensation | Total Compensation |
|------------------------|-----------|------------------------------------|------------------------|--------------------|
| Henry A. Crumpton      | \$ 23,050 | \$ 62,100                          | \$                     | \$ 85,150          |
| Cynthia A. Flanders    | 27,700    | 62,100                             |                        | 89,800             |
| William F. Leimkuhler  | 27,700    | 62,100                             |                        | 89,800             |
| W.G. Champion Mitchell | 21,200    | 62,100                             |                        | 83,300             |
| James W. Quinn         | 21,200    | 62,100                             |                        | 83,300             |
| Brian R. Sherras       | 25,850    | 62,100                             |                        | 87,950             |

- (1) Amounts represent the aggregate award date fair value computed in accordance with the current guidance provided by generally accepted accounting principles in the United States, and reflect the assumptions discussed in Note 13 Stock-Based Compensation of our consolidated financial statements included in Item 8 of our Form 10-K Annual Report for the year ended January 31, 2014.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* THE ELECTION OF  
EACH OF THE NOMINATED DIRECTORS IDENTIFIED ON PAGE 4**

**PROPOSAL NO. 2**

**RATIFICATION OF APPOINTMENT OF**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

The Audit Committee of our Board of Directors has selected Grant Thornton LLP ( Grant Thornton ) as the independent registered public accountants to perform the audit of our consolidated financial statements for our fiscal year ending January 31, 2015, and our stockholders are being asked to ratify the Audit Committee s selection. Grant Thornton has served as our independent registered public accountants since May 2006. We expect a representative of Grant Thornton to be present at the Annual Meeting.

### Fees

The following table below presents the approximate amounts of fees billed to us by Grant Thornton for professional services rendered during and related to the fiscal years ended January 31, 2014, 2013 and 2012.

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|                    | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|--------------------|-------------|-------------|-------------|
| Audit Fees         | \$ 649,000  | \$ 570,000  | \$ 405,000  |
| Audit-Related Fees |             | 17,000      |             |
| Tax Fees           | 47,000      | 38,000      | 38,000      |
| Total Fees         | \$ 696,000  | \$ 625,000  | \$ 443,000  |

**Audit Fees.** This category consists of fees billed for professional services rendered for annual audits of our consolidated financial statements, for reviews of quarterly condensed consolidated financial statements, for the review of current reports and other documents filed with the SEC, and for other accounting consultation. Audit fees for the the years ended January 31, 2014 and 2013 also included the costs associated with Grant Thornton s audit of the effectiveness of our internal control over financial reporting due to the Company s graduation to accelerated filer status as of January 31, 2013.

**Audit-Related Fees.** This category includes fees billed for services provided by Grant Thornton that were related to due diligence procedures performed during the investigations of potential acquisitions that we evaluated during the fiscal year ended January 31, 2013.

**Tax Fees.** This category consists of fees billed for professional tax services provided in the areas of compliance, research and planning.

### **Audit Committee Pre-Approval Policies and Procedures**

The Audit Committee of the Board of Directors has established a policy requiring the advance approval of any non-audit services to be performed by our independent registered public accountants or any other accounting or audit firm. The Audit Committee Chairman may pre-approve certain non-audit related fees which the entire Audit Committee ratifies in a subsequent Audit Committee meeting in accordance with SEC requirements. For the fiscal year ended January 31, 2014, the Audit Committee followed these guidelines in approving all services rendered by accounting and audit firms.

## **THE BOARD RECOMMENDS A VOTE *FOR* RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AUDIT COMMITTEE REPORT**

The Audit Committee of our Board of Directors is composed of three independent directors. The Audit Committee operates pursuant to a written charter, a copy of which can be found on our website at [www.arginc.com](http://www.arginc.com). The Board of Directors has made a determination that the members of the Audit Committee satisfy the independence and other requirements of the NYSE and the applicable rules of the Securities and Exchange Commission (the SEC). The Board of Directors has also made the determination that at least one member of the Audit Committee is a financial expert as that term is defined in applicable SEC rules.

The responsibilities of the Audit Committee are set forth in the Charter of the Audit Committee, which was updated in June 2013. The Audit Committee is responsible for, among other things, appointing, establishing the compensation for, supervising and, where appropriate, replacing the Company's independent registered public accountants; considering the qualifications and independence of the Company's independent accountants; approving all audit and non-audit services provided by the Company's independent accountants; and reviewing and discussing with our management and the Company's independent accountants the Company's consolidated financial statements. The Company's independent registered public accountants are required to report directly to the Audit Committee. The Audit Committee also reviews our accounting policies, internal control procedures and systems and compliance activities and also reviews the Charter of the Audit Committee. The following is a report on the Audit Committee's activities for the fiscal year ended January 31, 2014.

### **Review of Financial Statements**

The Audit Committee reviewed and discussed the Company's condensed unaudited consolidated financial statements for the fiscal quarters ended April 30, July 31 and October 31, 2013, and the Company's audited consolidated financial statements as of January 31, 2014 and for the year then ended with the management of the Company and with the engagement personnel of Grant Thornton, the Company's independent registered public accounting firm. During the year, Grant Thornton also made a presentation to the Audit Committee that outlined their audit timeline and planned procedures based on their assessments of the significant financial statement and fraud risks. The audit report issued by Grant Thornton relating to the Company's consolidated financial statements as of January 31, 2014 and for the year then ended expressed an unqualified opinion thereon. The scope of the audit procedures performed by Grant Thornton

for the year ended January 31, 2014 also included observations and tests of evidence with results sufficient for the accounting firm to report that the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2014.

### **Review of Other Matters with the Independent Registered Public Accountants**

The Audit Committee has also discussed with Grant Thornton the matters required to be communicated to the Company pursuant to applicable regulations of the Public Company Accounting Oversight Board (PCAOB). The Audit Committee has received from Grant Thornton the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with Grant Thornton matters relating to the firm's independence from the Company. There were no independence matters brought to the attention of the Audit Committee.

The Audit Committee has also received from Grant Thornton the written communication required by the corporate governance rules of the NYSE that describes the firm's quality control policies and procedures including its audit performance and independence monitoring systems. This communication also provides disclosure of material issues raised by inquiry or investigation by government or professional authorities over the last five years.

### **Recommendation That Financial Statements Be Included in the Annual Report**

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements described above be included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2014 for filing with the SEC.

Submitted by the Audit Committee of the Board of Directors:

William F. Leimkuhler (Chairman, Audit Committee)

Cynthia A. Flanders (Member, Audit Committee)

Brian R. Sherras (Member, Audit Committee)

### **PROPOSAL NO. 3**

#### **APPROVAL OF EXECUTIVE COMPENSATION (THE SAY-ON-PAY PROPOSAL)**

We are seeking stockholder approval of the compensation of our executive officers (our named executive officers) as described in this Proxy Statement. This description is contained in the Executive Compensation section of this Proxy Statement which is included below, including the compensation tables and the narrative compensation disclosures included therein. This non-binding advisory proposal, commonly known as a say-on-pay proposal, is required under Section 14A of the Securities Exchange Act of 1934 (the Exchange Act). This vote represents our second annual advisory say-on-pay vote. Subsequent to last year's meeting of stockholders and based on the results of voting by the stockholders, the Board of Directors determined that we will hold an advisory vote on executive compensation every year.

Because this is an advisory vote, it will not be binding on the Board of Directors and it will not directly affect or otherwise limit any existing compensation or award arrangement of any of our named executive officers. However, our Compensation Committee does intend to take into account the outcome of the vote when considering future executive compensation arrangements.

Our executive compensation program is based on a philosophy of paying for performance and tying a significant portion of executive pay to the achievement of long-term growth in the value of the Company. Our philosophy and the core components of our approach to executive compensation did not change during the year ended January 31, 2014, and we feel consistency in our approach will help to ensure the stability of our core management team through a

challenging business environment while providing powerful incentives to drive profitable growth and to deliver value to our stockholders.

In considering how to vote on this advisory proposal, we encourage our stockholders to review all the relevant information in the Executive Compensation section of this Proxy Statement including the compensation tables and the narrative disclosures regarding our executive compensation program.



**THE BOARD RECOMMENDS A VOTE *FOR* APPROVAL OF**  
**THE SAY-ON-PAY PROPOSAL**  
**PRINCIPAL STOCKHOLDERS**

The following table presents the number of shares of our Common Stock beneficially owned as of January 31, 2014, by (i) each director, (ii) each executive officer named in the Summary Compensation Table below, (iii) all directors and executive officers as a group, and (iv) each person who, to our knowledge, owns beneficially more than five percent (5%) of our Common Stock. Unless otherwise indicated, beneficial ownership is direct and the person indicated has sole voting and investment power.

| Name and Address   | Shares<br>Beneficially<br>Owned <sup>(1)</sup> | Beneficial<br>Ownership<br>Percentage <sup>(1)</sup> |
|--|--|--|
| William F. Griffin, Jr. <sup>(2)</sup>                         | 714,993  | 5.00%  |
| Rainer H. Bosselmann <sup>(3)</sup>                            | 427,901  | 2.97%  |
| James W. Quinn <sup>(4)</sup>                                  | 109,570  | *  |
| Daniel L. Martin <sup>(5)</sup>                                | 95,000   | *  |
| Arthur F. Trudel <sup>(6)</sup>                                | 85,000   | *  |
| William F. Leimkuhler <sup>(7)</sup>                           | 49,000   | *  |
| Henry A. Crumpton <sup>(8)</sup>                               | 40,000   | *  |
| Cynthia A. Flanders <sup>(9)</sup>                             | 40,000   | *  |
| W.G. Champion Mitchell <sup>(10)</sup>                         | 27,500   | *  |
| Brian R. Sherras <sup>(11)</sup>                               | 25,000   | *  |
| Officers and Directors as a Group (10 Persons) <sup>(12)</sup> | 1,613,964                                      | 10.96%   |
| Richard L. Scott <sup>(13)</sup>                               | 965,255  | 6.76%  |
| BlackRock, Inc. <sup>(14)</sup>                                | 882,827  | 6.18%  |
| John W. Blackburn <sup>(15)</sup>                              | 817,106  | 5.72%  |

\* Less than 1%.

- (1) Applicable percentage of ownership is based on 14,285,901 shares of Common Stock outstanding at January 31, 2014, together with applicable options for each stockholder. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of Common Stock subject to options that are currently exercisable or exercisable within 60 days of January 31, 2014 are deemed to be beneficially owned by the person holding such options for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise noted in the footnotes below, the address for each of the individuals listed in the table above is c/o Argan, Inc., One Church Street, Suite 201, Rockville, Maryland 20850.
- (2) Includes 374,960 shares owned by the William F. Griffin, Jr. GRAT DTD 02/13/12 and 231,190 shares owned by the William F. Griffin, Jr. Revocable Trust DTD 12/09/04; Mr. Griffin is a trustee of both trusts. Also includes 98,843 shares owned by the Joel M. Canino Revocable Trust and deemed to be beneficially owned by Mr. Griffin who is a co-trustee. Excludes 55,965 shares owned by the Griffin Family Trust and 40,000 shares donated to the Peach Pit Foundation; Mr. Griffin's wife is a co-trustee of both trusts. Mr. Griffin disclaims beneficial ownership

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- of these shares. Also includes options to purchase 10,000 shares of Common Stock which are fully vested.
- (3) Includes 305,660 shares owned by Mr. Bosselmann and 2,241 shares owned by Mr. Bosselmann and his wife, as joint tenants. Also includes options to purchase 120,000 shares of Common Stock which are held by Mr. Bosselmann and are fully vested.
  - (4) Includes options to purchase 20,000 shares of Common Stock held by Mr. Quinn which are fully vested. Does not include 531,183 shares of Common Stock held by Allen & Company LLC and affiliates. Mr. Quinn disclaims beneficial ownership of the shares held by Allen & Company LLC and affiliates.
  - (5) Includes options to purchase 95,000 shares of Common Stock which are fully vested.

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- (6) Includes options to purchase 75,000 shares of Common Stock which are fully vested.
- (7) Includes options to purchase 25,000 shares of Common Stock which are fully vested.
- (8) Includes options to purchase 15,000 shares of Common Stock which are fully vested.
- (9) Includes options to purchase 30,000 shares of Common Stock which are fully vested.
- (10) Includes options to purchase 20,000 shares of Common Stock which are fully vested.
- (11) Includes options to purchase 25,000 shares of Common Stock which are fully vested.
- (12) Includes options to purchase 435,000 shares of Common Stock held by the named executive officers and members of our Board of Directors which are fully vested.
- (13) Based upon Schedule 13D/A filed with the SEC by Mr. Scott on January 22, 2014. The name and address of the person identified as authorized to receive notices and communications is Alan L. Bazaar, Hollow Brook Wealth Management, LLC, 420 Lexington Avenue, Suite 2840, New York, New York 10170.
- (14) Based upon a Schedule 13G/A filed with the SEC by BlackRock, Inc. ( BlackRock ) on January 28, 2014. The address reported by BlackRock is 40 East 52<sup>nd</sup> Street, New York, New York 10022.
- (15) Based upon a Schedule 13G filed jointly with the SEC on June 3, 2010 by Prairie Fire Capital, LLC ( PFC ), a Delaware limited liability company; Ptolemy Capital, LLC ( PC ), a Delaware limited liability company; Westwind Investors, LP ( WI ), a Delaware limited partnership; the Stone Family Foundation, a Delaware not-for-profit corporation; and John W. Blackburn (together the Reporting Persons ). The filing reports 817,106 shares of Common Stock beneficially owned by Mr. Blackburn, a manager of PFC, PC and WI, who has sole voting and dispositive powers with respect to the shares. The address for the Reporting Persons is 917 Tahoe Boulevard, Suite 200, Incline Village, Nevada 89451.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

**Compensation Philosophy and Objectives.** Our Board of Directors and executive management believe that the performance and contributions of our executive officers are critical to our overall success. To attract, retain, and motivate the executives to accomplish our business objectives, the Compensation Committee establishes executive compensation policies and oversees our executive compensation practices. The Compensation Committee also evaluates compensation programs to ensure that we maintain our ability to attract, retain and motivate superior employees in key positions and that compensation provided to key employees remains competitive. The Compensation Committee believes our executive compensation packages should include both cash and share-based compensation that reward achievement of established business objectives and market performance. In short, our goal is to create an executive compensation program that will adequately reward our executives for their roles in creating value for our stockholders.

The Compensation Committee exercises business judgment in determining the appropriate level and mix of executive compensation. Cash compensation is used to provide a base salary and to reward our executives based on their contributions to the Company. Equity compensation is used to tie the interests of the executives to the interests of our stockholders. There is no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation, which enables the Compensation Committee the flexibility to adjust amounts and allocations dynamically as business conditions warrant.

The Compensation Committee recognizes that typically there have been no specific targets against which to calculate annual bonus amounts. While the goal of the executive management team is to continue to profitably grow the value of the business over the long term, it has been our practice to not set specific individual goals for any of the executives at the start of each year. Instead, at the end of the year, the CEO and the Compensation Committee review the overall performance of the Company and the contributions made by the named executive officers for whom the Compensation Committee recommends salary levels, annual bonus amounts and annual stock option awards. The independent directors of the full Board of Directors ratifies all such awards.



The Compensation Committee reviews the achievements and compensation levels of executive officers annually while considering our overall financial performance for the most recently completed fiscal year. Based on these reviews, the Compensation Committee makes compensation recommendations to the full Board of Directors, including the amounts of annual bonus and stock option awards, for the top three named executive officers. The Compensation Committee relies on the CEO's recommendations and on its own evaluation of current individual and business performance and historical individual and business performance. Our CEO is not present in and does not participate in the discussion of any elements of his compensation with the Compensation Committee. Although the Compensation Committee has the express authority to hire and compensate its own advisors, it has not used the services of any external advisor in connection with this process.

In determining its recommendations for the most recently completed fiscal year, the Compensation Committee discussed with the CEO the performance of the executive management team. The Compensation Committee developed its recommendations based on its professional judgment and experience and a comparison to prior performance and annual bonus and stock option award levels. Included in the deliberations by the members of the Compensation Committee was a discussion of the CEO's performance and the level of his annual awards. The Compensation Committee determined individual bonus amounts and stock option awards and made recommendations to the full Board of Directors. These recommendations were approved by the independent directors of the Board of Directors.

Based on our financial performance as outlined in the 2014 Financial Highlights section below, and the fact that there has been very little turn-over at the senior and executive management levels of the Company, we believe that our current compensation practices have served us and our stockholders well. However, both our Compensation Committee and executive management recognize that we may need to consider changes that align our practices more closely to those of other publicly traded companies. These practices may include establishment of more formulaic approaches to the determinations of annual cash bonus and stock option award amounts.

**2014 Financial Highlights.** In making executive compensation decisions subsequent to January 31, 2014, the Compensation Committee considered the financial performance results for the year then ended, including the following highlights.

After several years of our providing financial support, the two power plant development projects that we have identified as the Moxie Projects in Note 3 to our consolidated financial statements for the year ended January 31, 2014 were purchased by affiliates of Panda Power Funds ( Panda ).

The financial closings of the purchases by Panda included the payment to us in the current year of development success fees, notes receivable and accrued interest thereon that totaled approximately \$37.9 million in cash.

Although our consolidated revenues were \$227.5 million for the current year ended January 31, 2014, which represented a decrease of \$51.1 million, or 18%, from the revenues of \$278.6 million for the prior year, our gross profit grew by 57% to approximately \$78.8 million for the current year from \$50.1 million for the prior year.

Our construction project backlog was increased to \$790 million during the year ended January 31, 2014 from a backlog balance of \$180 million as of January 31, 2013.

Our gross profit percentage rose to 34.7% of revenues for the current year compared with 18.0% last year.

Net income attributable to our stockholders for the current year was approximately \$40.1 million, or \$2.78 per diluted share, compared with approximately \$23.3 million, or \$1.65 per diluted share, for the year ended January 31, 2013.

We reported consolidated EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) attributable to our stockholders of \$66.3 million for the current year compared with \$37.7 million last year.

Our consolidated working capital increased by approximately \$45 million during the current year to a balance of \$133.3 million as of January 31, 2014.

Tangible net worth increased during the current year by approximately 36% to \$135.7 million as of January 31, 2014 despite our payment to stockholders of a cash dividend in the aggregate amount of approximately \$10.6 million in November 2013.

**Elements of Compensation.** For the year ended January 31, 2014, the principal components of compensation for named executive officers were base salary, discretionary incentive cash compensation (cash bonus awards) and long-term equity incentive awards (stock options).

**Base Salary.** We provide executive officers with a base salary to compensate them for services rendered during the fiscal year. Base salaries are established initially for each executive based on his experience, position and responsibilities, reflect considerations of market data and conditions, and are included in employment offer letters and/or employment agreements as applicable. Salary levels are typically reviewed annually as part of the Compensation Committee's performance review process and would be reconsidered upon a promotion or other change in job responsibility for the executive. Merit-based increases to salaries, if any, would be based on the Compensation Committee's assessment of the individual executive's performance in conjunction with recommendations provided by our Chief Executive Officer. Base salary is reflected in the "Salary Earned" column of the Summary Compensation Table of this Proxy Statement.

**Annual Cash Bonus Awards.** Typically, the Compensation Committee recommends the payment of cash bonus awards to our Chief Executive and Chief Financial Officers based primarily on an assessment of the overall financial performance of the consolidated organization for the preceding fiscal year. These annual cash bonus awards are fully discretionary and are made only upon a Compensation Committee recommendation and the approval of the independent members of the Board. Based on the terms of his current employment contract, we are obligated to make an annual cash bonus payment to Mr. Griffin in the minimum amount of \$400,000 provided he is employed by us at the end of each applicable fiscal year. In addition, and as was the case this year, we may pay Mr. Griffin a cash bonus amount in excess of the minimum amount, based on the extraordinary achievements by Gemma in the preceding fiscal year, after recommendation by the Chief Executive Officer, approval by the Compensation Committee and ratification by the independent members of the Board. Due substantially to his leadership, negotiation skills and management of our involvement with the development of the Moxie Projects, we made cash bonus payments to Mr. Griffin for the year ended January 31, 2014 that totaled \$2,500,000. Cash bonus amounts paid to Mr. Martin are based to a significant degree on the profitable completion of specific construction projects as determined by Mr. Griffin with the concurrence of our Chief Executive Officer. The amounts of annual discretionary cash bonus awards are reflected in the "Bonus Earned" column of the Summary of Compensation Table of this Proxy Statement included below.

**Long-Term Equity Incentive Awards.** The long-term equity incentive awards are designed to ensure that our executive officers and key employees have a continuing stake in our long-term success. In addition, the awards emphasize pay-for-performance. To date, such awards have substantially consisted of options to purchase shares of our Common Stock. Currently, stock option awards are made pursuant to the terms of the Argan, Inc. 2011 Stock Plan (the "Stock Plan") which serves to replace the 2001 Stock Option Plan (the "Option Plan") which expired in July 2011. Both plans were established for the purpose of providing our officers, employees, directors and consultants who are in a position to contribute materially to our long-term success with opportunities to increase their interest in the Company's welfare, and to aid in attracting and retaining employees, directors and consultants of outstanding ability. The Board of Directors believes that it is important to have shares available under a stock incentive plan like the Stock Plan in order to provide adequate incentives to new employees and other key members of our workforce including those additional management and non-management employees who may join us as a result of future business acquisitions or other growth of the Company.

Typically, in connection with initial employment, officers and other key employees receive stock option awards. For example, Mr. Martin received a non-qualified option to purchase 50,000 shares of our Common Stock in connection with his joining us in February 2010. In addition, the Compensation Committee has continued the practice of considering stock option awards for executive officers subsequent to the end of each fiscal year. In April 2014, based on the recommendations of the Compensation Committee, the independent directors approved the award of non-qualified stock options to Mr. Bosselmann and Mr. Trudel covering 50,000 and 35,000 shares of our Common Stock, respectively.





**Benchmarking.** We believe it is important when making compensation-related decisions to be informed as to current practices of similarly situated publicly held companies in the engineering, construction and related industries. The Compensation Committee considers the compensation levels at other companies in our industry.

We do not view benchmarking as a stand-alone tool for setting compensation due to the aspects of our business and objectives that may be unique to us, but we believe that gathering and reviewing this information should be a part of our compensation-related decision-making process. In using its collective judgment in setting executive pay, the Compensation Committee uses benchmarking as one consideration; however, at this time the Compensation Committee's decisions are based primarily on recommendations from our CEO, the Compensation Committee's evaluation of the executive's performance, the overall Company performance and our overall compensation strategy.

Referring to proxy information available for 10 publicly traded engineering and construction companies, we note that our CEO's total compensation for the year ended January 31, 2014 was less than the 2013 total compensation amounts for nine of the comparable CEOs. Our CFO's compensation was less than eight of the 2013 total compensation amounts for the CFOs included in the benchmarking group. The 10 publicly traded comparable companies included the following firms.

Dycom Industries, Inc.

Furmanite Corporation

Great Lakes Dredge & Dock Corporation

Integrated Electrical Services Corporation

MasTec, Inc.

Northwest Pipe Company

Pike Electric Corporation

Primoris Services Corporation

Orion Marine Group, Inc.

Sterling Construction Company, Inc.

**Executive Compensation and Risk.** We believe our executive compensation programs do not encourage excessive and unnecessary risk-taking by our executive officers because these programs are designed to encourage our executive officers to remain focused on both the short-term and long-term operational and financial goals of the Company. We

achieve this balance through a combination of elements in our overall compensation plans, including: elements that reward both short-term (cash bonuses) and long-term (stock option) results thereby encouraging better alignment with the interests of stockholders. It is also notable that Mr. Bosselmann and Mr. Griffin beneficially own 307,901 and 704,993 shares of our Common Stock (excluding outstanding options to purchase shares of our Common Stock), respectively.

***Change in Control Agreements.*** The section below entitled Summary of Employment Arrangements describes the potential payments to Messrs. Bosselmann, Trudel and Griffin in the event of termination or a change-in-control of the Company. The employment arrangement with Mr. Martin does not include similar provisions.

The Stock Plan describes the effect on outstanding stock options of employment termination, including the provision in the Stock Plan that all outstanding stock options shall become fully vested and exercisable upon a change in control of the Company, as defined in the plan document. The Compensation Committee may accelerate the vesting and exercisability of outstanding options to purchase shares of our Common Stock that were awarded pursuant to the terms of the Option Plan, in whole or in part, as determined by the Compensation Committee in its sole discretion upon a change in control, as defined in the plan document. In its sole discretion, the Compensation Committee may also determine that, upon the occurrence of such a change in control, each outstanding stock option awarded under the Option Plan shall terminate within a specified number of days after notice to the optionee thereunder, and each such optionee shall receive, with respect to each share of our Common Stock subject to such option, an amount equal to the excess of the fair market value of such shares immediately prior to such change in control over the exercise price per share of such option. Such amount shall be payable in cash, in one or more kinds of property (including the property, if any, payable in the transaction) or a combination thereof, as the Compensation Committee shall determine in its sole discretion.

### **Summary Compensation Table**

The following table sets forth the total amount of compensation paid to or earned by the Named Executive Officers for services in all capacities for the fiscal years ended January 31, 2014, 2013 and 2012.

Our four Named Executive Officers include the Company's CEO and CFO, and the Chief Executive Officer and President of Gemma Power Systems, LLC and affiliated companies (Gemma).

| Name and Principal Position  | Fiscal Year | Salary Earned | Bonus Earned | Stock Option Awards <sup>(1)</sup> | All Other Compensation <sup>(2)</sup> | Total Compensation |
|--|-------------|---------------|--------------|------------------------------------|---------------------------------------|--------------------|
| Rainer H. Bosselmann<br>Chief Executive Officer  | 2014        | \$ 225,000    | \$ 200,000   | \$ 83,750                          | \$ 1,200                              | \$ 509,950         |
|  | 2013        | 200,000       | 150,000      | 60,300                             | 1,200                                 | 411,500            |
|  | 2012        | 200,000       | 125,000      | 49,000                             | 1,200                                 | 375,200            |
| Arthur F. Trudel<br>Senior Vice President,<br>Chief Financial Officer<br>and Corporate Secretary | 2014        | \$ 225,000    | \$ 200,000   | \$ 67,000                          | \$ 1,600                              | \$ 493,600         |
|  | 2013        | 200,000       | 150,000      | 60,300                             | 1,920                                 | 412,220            |
|  | 2012        | 200,000       | 100,000      | 49,000                             | 2,080                                 | 351,080            |
| William F. Griffin, Jr.<br>Vice Chairman and Chief<br>Executive Officer, Gemma                   | 2014        | \$ 602,308    | \$ 2,500,000 | \$                                 | \$ 37,150                             | \$ 3,139,458       |
|  | 2013        | 600,000       | 900,000      | 65,900                             | 18,000                                | 1,583,900          |
|  | 2012        | 533,333       | 500,000      |                                    | 18,000                                | 1,051,333          |
| Daniel L. Martin<br>President, Gemma   | 2014        | \$ 286,097    | \$ 500,000   | \$ 46,800                          | \$ 37,150                             | \$ 870,047         |
|  | 2013        | 282,653       | 425,000      | 76,950                             | 16,500                                | 801,103            |
|  | 2012        | 275,000       | 225,000      | 111,300                            | 12,000                                | 623,300            |

- (1) Amounts represent the aggregate award date fair value computed in accordance with the current guidance provided by generally accepted accounting principles in the United States and reflect the assumptions discussed in Note 13 Stock-Based Compensation of our consolidated financial statements included in Item 8 of our Form 10-K Annual Report for the year ended January 31, 2014.
- (2) Amounts represent matching and profit sharing contributions made pursuant to the Company's 401(k) plans, and car allowance payments made to Messrs. Griffin and Martin.

#### Executive Officers Who Are Not Directors

Mr. Trudel, age 64, has been our Corporate Secretary since April 2006, our Senior Vice President and Chief Financial Officer since May 2003 and a corporate officer of the Company since January 2003. From 1997 to 2002, Mr. Trudel served as Chief Financial Officer of Arguss Communications, Inc. From 1988 to 1997, Mr. Trudel was Senior Vice President and Chief Financial Officer of JHM Capital Corporation.

Mr. Martin, age 56, has been the President of Gemma since February 8, 2010. Prior to that date, Mr. Martin was Senior Vice President and General Manager of the operating division in Reading, Pennsylvania, for WorleyParsons, a provider of professional services to the energy sector. In that capacity, Mr. Martin was responsible for the performance of the division, which conducts preliminary engineering, detailed design, procurement, construction management and other support services for electricity generating facilities including those operating on fossil, nuclear and renewable fuels.

#### Summary of Employment Arrangements

*Rainer H. Bosselmann and Arthur F. Trudel.* On January 3, 2005, the Company entered into substantially similar employment agreements with (i) Rainer H. Bosselmann as its Chief Executive Officer, and (ii) Arthur F. Trudel as its Senior Vice President, Chief Financial Officer and Corporate Secretary (each, an Executive). Pursuant to the employment agreements, the Company agreed to employ each Executive for an initial term of one year, which term

automatically renews for successive one year periods unless the Company or the Executive provides at least 90 days prior written notice of its or his election not to renew. Currently, the employment term anniversary date is January 3 for both Mr. Bosselmann and Mr. Trudel. The agreements provide for each Executive to receive an annual base salary during the employment period, subject to increase (but not reduction) from time to time in such amounts as the Company, in its reasonable discretion, deems to be appropriate. For the year ended January 31, 2014, the annual base salary for each Executive was \$225,000 (increased by the Board of Directors to this amount effective February 1, 2013).

Each agreement also provides for an annual bonus with the payment and amount determined at the discretion of the Board of Directors of the Company, subject to the satisfaction of any reasonable performance criteria established for the Executive with respect to such year. The agreements further provide that each Executive may participate in any stock option, incentive and similar plans established by the Company and shall be granted stock options and other benefits similar to options and benefits granted to other executives, subject in all cases to the satisfaction by the Executive of the terms and conditions of such plans and to the reasonable exercise by the Board of any discretion granted to it or them thereunder. The Board of Directors awarded cash bonuses to the Executives in April 2014, March 2013 and April 2012 relating to the fiscal years ended January 31, 2014, 2013 and 2012, respectively. For Mr. Bosselmann, the annual bonus awards were \$200,000, \$150,000 and \$125,000, respectively. For Mr. Trudel, the annual bonus awards were \$200,000, \$150,000 and \$100,000, respectively.

Subsequent to each fiscal year end, options to purchase shares of Common Stock are typically awarded to the Executives by the Board of Directors. As the stock options usually vest on the one-year anniversary of the date of award, the compensation related to the stock option awards is recorded ratably over the one-year period subsequent to the award date. Non-qualified stock options were awarded to Mr. Bosselmann and Mr. Trudel by the Board of Directors in April 2014 covering 50,000 and 35,000 shares of our Common Stock, respectively, with per share exercise prices of \$27.09. Each of the awards identified above becomes exercisable on the one-year anniversary of the grant date and expires on the ten-year anniversary of the grant date.

Under the employment agreement for each Executive, in the event that an Executive's employment is terminated for any of the reasons specified below or there occurs a change in control, the Executive will receive as severance pay in a single lump sum payment, an amount equal to twenty-four (24) months of his base salary within thirty (30) days after the Executive's termination of employment or change of control, as the case may be, without reduction or offset for any other monies which the Executive may thereafter earn or be paid. The reasons which cause severance pay to be paid to an Executive include:

- (i) termination by the Executive because of a material diminution of the Executive's duties, authority or responsibility, or a material impairment by action of the Company of his ability to perform his duties and responsibilities, regardless of whether such diminution is accompanied by a change in the Executive's title with the Company;
- (ii) termination by the Executive because of a material breach by the Company of any provision of the employment agreement, which breach continues for a period of thirty (30) days after written notice of such breach is given by the Executive to the Company; and
- (iii) termination by the Company at any time without cause, including notice of non-renewal of the employment agreement.

Each Executive shall also be entitled for a period of twenty-four (24) months from the termination of his employment or a change in control, as the case may be, to the continuation of all benefits provided to the Executive, excluding sick and vacation time, subject to any applicable employee co-payments. If an Executive's employment is terminated by the Company by reason of the Executive's death, disability or for cause or voluntarily by the Executive for any reason other than as set forth in the preceding paragraph, the Company will not be obligated to make any payments to the Executive by reason of his cessation of employment other than such amounts, if any, of his base salary that have accrued and remain unpaid and such other amounts which may then otherwise be payable to the Executive from the Company's benefit plans or reimbursement policies, if any.

*William F. Griffin, Jr.* On December 17, 2013, we amended the Amended and Restated Employment Agreement with Mr. Griffin that was effective April 1, 2011. Pursuant to the amendment, the term of his employment was extended for three (3) years to March 31, 2017, which term will automatically renew for successive one (1) year periods unless sooner terminated by us or him. Mr. Griffin's annual base salary of \$600,000 was not changed. Any future increase in base salary will be negotiated in good faith by the parties.

For each of our fiscal years occurring within, or partially within, the term of Mr. Griffin's employment, he is eligible for bonuses for special or extraordinary circumstances or occurrences as, in the sole discretion of the Board of Directors, may merit special consideration for him. Mr. Griffin is entitled to a minimum bonus of \$400,000 for each of our fiscal years occurring within, or partially within, the term of his employment (prorated as necessary for any such partial fiscal year) and payable upon the completion of each fiscal year. Pursuant to the ratification of the independent members of our Board of Directors, Mr. Griffin was paid bonuses in the amounts of \$2,500,000, \$900,000 and \$500,000 for the fiscal years ended January 31, 2014, 2013 and 2012, respectively.

As required by the current amended employment agreement with Mr. Griffin, we maintain and pay the premiums on a key-man term life insurance policy on Mr. Griffin's life in the amount of \$5,000,000. Such key-man term life insurance policy names Argan, Inc. as the sole beneficiary and will remain in full force and effect for the term of Mr. Griffin's employment or until expiration of the term of the policy. Upon the termination of Mr. Griffin's employment for any reason, we will assign to him any and all rights which we may have in and to the key-man term life insurance policy for the value of the prepaid unearned premium.

Mr. Griffin is also subject to certain confidentiality provisions, and during the term of his employment and for two (2) years thereafter, he is subject to certain non-competition and non-solicitation covenants as described in the amended employment agreement except in the event of a change in control of the Company, as defined. In such case, the covenant not to compete and the covenant not to solicit (i) employees or former employees, (ii) actual or targeted prospective customers or clients, or (iii) actual distributors or suppliers shall be rendered null and void.

Under the amended employment agreement, in the event that Mr. Griffin's employment is terminated by us at our convenience or by Mr. Griffin for good reason, he will be entitled to receive severance benefits as follows: (i) Mr. Griffin will continue to receive his salary for the duration of the then-current term; (ii) a pro rata share of the minimum bonus (calculated based upon the elapsed portion of our fiscal year in which the employment termination occurs); and (iii) continued participation in our health and benefit plans and programs for the duration of the then-current term, or, in the case of our health plan(s), until he becomes eligible for health insurance from another source other than Medicare. In the event that Mr. Griffin's employment is terminated as a result of death or disability, he or his surviving spouse or estate, as applicable, will be entitled to receive a pro rata share of the minimum bonus (calculated based upon the elapsed portion of our fiscal year in which the employment termination occurs) and applicable health, disability or death benefits, if any, offered by us, subject to the eligibility requirements of such benefits. In addition, Mr. Griffin, or his surviving spouse or estate as applicable, shall be entitled to receive his salary and benefits accrued, reimbursement of expenses properly incurred and payment for all accrued vacation calculated in accordance with the standard payroll practices of Gemma, in each case through the date of termination, disability or death.

Within thirty (30) days of a change of control, as defined in the amendment, the Company shall pay Mr. Griffin, in a single lump sum payment, an amount equal to (i) twenty-four (24) times the amount of salary paid during the thirty (30) days ending on the date of the change in control, plus (ii) two (2) times the minimum bonus paid with respect to the fiscal year most recently completed.

*Daniel L. Martin.* Mr. Martin joined us as the President of Gemma in February 2010. His employment arrangement includes a base annual salary of \$275,000 (increased to \$285,000 for calendar year 2014), provides for normal participation in the standard employee benefit programs of Gemma, and pays a monthly car allowance in the amount of \$1,500. He is eligible for an annual cash bonus based on a combination of considerations including the EBITDA performance of Gemma for the previous fiscal year and his personal accomplishments. For the fiscal years ended January 31, 2014, 2013 and 2012, Mr. Martin was paid cash bonus amounts of \$500,000, \$425,000, and \$225,000, respectively.

In April 2013, the Board of Directors awarded Mr. Martin a non-qualified option to purchase 15,000 shares of our Common Stock. This award completed our obligation to make annual stock option awards covering 15,000 shares of our Common Stock during the initial three years of Mr. Martin's employment with us as long as the annual EBITDA of Gemma exceeded 7% of Gemma's revenues each year.

### **Code of Ethics**

We have established a Code of Ethics for Senior Officers that applies to our CEO and CFO. The Code of Ethics embodies our commitment to the highest standards of ethical and professional conduct and imposes a higher standard



of honesty and integrity than the Company's Code of Conduct that applies to, and is acknowledged in writing by, all of our employees. The Board of Directors, or the Audit Committee, shall determine, or designate appropriate persons to determine, remedial actions to be taken in the event of a violation of the Code of Ethics and has full and discretionary authority to approve any amendment to or waiver from this Code of Ethics for senior officers. Any such amendment or waiver will be promptly disclosed as required by applicable law or regulation.

**Potential Payments Upon Termination**

The terms of the employment agreements with Messrs Bosselmann, Trudel and Griffin provide that we pay certain severance benefits in the event such executive officer is terminated by us other than for cause including a change-in-control as those terms are defined in each applicable agreement.

The following table presents amounts payable to each of these executive officers under the scenario that the executive is terminated without cause. The table assumes that the terminating event occurred on March 31, 2014.

| <b>Name</b>             | <b>Base Salary</b>        | <b>Bonus</b>          | <b>Health Care Benefits</b> | <b>Totals</b> |
|-------------------------|---------------------------|-----------------------|-----------------------------|---------------|
| Rainer H. Bosselmann    | \$ 450,000 <sup>(1)</sup> | \$                    | \$ 44,616 <sup>(1)</sup>    | \$ 494,616    |
| Arthur F. Trudel        | 450,000 <sup>(1)</sup>    |                       | 44,616 <sup>(1)</sup>       | 494,616       |
| William F. Griffin, Jr. | 1,800,000 <sup>(2)</sup>  | 66,667 <sup>(3)</sup> | 94,281 <sup>(2)</sup>       | 1,960,948     |

- (1) Amounts for Messrs. Bosselmann and Trudel represent payments for twenty-four months.  
(2) Amounts for Mr. Griffin represent the amounts payable until the end of the amended term of his employment agreement (March 31, 2017).  
(3) Amount represents a two-month pro-rata share of the minimum annual bonus amount.

#### **Grants of Plan-Based Awards Table**

The following table sets forth certain information with respect to grants of plan-based awards to the Named Executive Officers (identified in the Summary Compensation Table above) during the year ended January 31, 2014. In all cases, the grants presented in the table below represent non-qualified stock options awarded under our Stock Plan, and they represent the only plan-based awards involving our Common Stock made to these officers during the year. No stock awards have been made by us to any of the Named Executive Officers.

| <b>Name</b>          | <b>Grant Date<sup>(1)</sup></b> | <b>Number of Shares of Common Stock Underlying the Award</b> | <b>Exercise Price/Share</b> | <b>Grant Date Fair Value of Stock Option Awards<sup>(2)</sup></b> |
|----------------------|---------------------------------|--|-----------------------------|---|
| Rainer H. Bosselmann | 3/7/2013                        | 25,000   | \$ 16.37                    | \$ 83,750   |
| Arthur F. Trudel     | 3/7/2013                        | 20,000   | 16.37                       | 67,000  |
| Daniel L. Martin     | 4/3/2013                        | 15,000   | 15.66                       | 46,800  |

- (1) The grant date represents the date on which the Board of Directors approved the stock option award. The options to purchase shares of our Common Stock become exercisable on the one-year anniversary of the grant date.  
(2) Amounts represent the aggregate award date fair values computed in accordance with the current guidance provided by generally accepted accounting principles in the United States and reflect the assumptions discussed in Note 13 – Stock-Based Compensation of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended January 31, 2014.

#### **Stock Option Exercise Table**

The following table presents certain information relating to the exercise of options to purchase shares of our Common Stock by Named Executive Officers during the year ended January 31, 2014.

#### **Number of Shares**

| <b>Name</b>          | <b>of Common<br/>Stock<br/>Acquired</b> | <b>Value<br/>Realized<br/>upon Exercise<sup>(1)</sup></b> |
|----------------------|---|---|
| Rainer H. Bosselmann | 33,100                                  | \$ 463,400  |
| Arthur F. Trudel     | 44,124                                  | 618,579   |

- (1) Amounts represent the aggregate fair market value of the Common Stock on the date(s) of exercise less the purchase price paid by the executive officer.

## Outstanding Equity Awards Table

The following table sets forth certain information concerning exercisable and unexercisable options to purchase shares of Common Stock that were held by our Named Executive Officers as of January 31, 2014.

| Name                    | Number of Securities Underlying<br>Unexercised Stock<br>Options <sup>(1)</sup> |               | Exercise<br>Price/Share | Expiration<br>Date |
|-------------------------|--|---------------|-------------------------|--------------------|
|                         | Exercisable <sup>(2)</sup>   | Unexercisable |                         |                    |
| Rainer H. Bosselmann    | 40,000   |               | \$ 11.70                | 2/6/2018           |
|                         | 25,000   |               | 12.21                   | 2/25/2019          |
|                         | 10,000   |               | 13.64                   | 4/6/2020           |
|                         | 10,000   |               | 8.97                    | 4/5/2021           |
|                         | 10,000   |               | 16.47                   | 4/2/2022           |
|                         | 25,000   |               | 16.37                   | 3/7/2023           |
| Arthur F. Trudel        | 10,000   |               | \$ 11.70                | 2/6/2018           |
|                         | 25,000   |               | 12.21                   | 2/25/2019          |
|                         | 10,000   |               | 13.64                   | 4/6/2020           |
|                         | 10,000   |               | 16.47                   | 4/2/2022           |
|                         | 20,000   |               | 16.37                   | 3/7/2023           |
| William F. Griffin, Jr. | 10,000   |               | \$ 18.87                | 12/18/2022         |
| Daniel L. Martin        | 50,000   |               | \$ 16.00                | 2/18/2015          |
|                         | 30,000   |               | 8.97                    | 4/5/2016           |
|                         | 15,000   |               | 16.47                   | 4/2/2022           |
|                         |  | 15,000        | 15.66                   | 4/3/2023           |

- (1) None of the stock options presented in this table have been repriced or otherwise materially modified. The Stock Plan does not permit repricing nor does it allow the cancellation of existing options to purchase shares of our Common Stock in connection with the award of a new option.
- (2) Includes options exercisable within 60 days of January 31, 2014.

### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During the year ended January 31, 2014, Mr. Quinn, Mr. Leimkuhler and Ms. Flanders served on the Compensation Committee. There were no compensation committee interlocks between the Company and other entities involving our executive officers and directors.

### COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors has reviewed and discussed with management the Compensation Discussion and Analysis set forth above under the heading Executive Compensation. Based on that review and those discussions, the Compensation Committee recommended to the Board of Directors that it be included in our Proxy Statement.

Submitted by the Compensation Committee of the Board of Directors:

James W. Quinn (Chairman, Compensation Committee)

Cynthia A. Flanders (Member, Compensation Committee)

William F. Leimkuhler (Member, Compensation Committee)

**COMPLIANCE UNDER SECTION 16(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

Section 16(a) of the Securities Exchange Act of 1934 and related regulations require that the Company's directors, certain officers, and any persons holding more than 10% of our Common Stock ( Reporting Persons ) to report their initial ownership of our Common Stock and any subsequent changes in that ownership to the SEC. Specific due dates have been established, and we are required to disclose any failure to file by these dates during the fiscal year ended January 31, 2014 in this Proxy Statement.

In making this disclosure, we have relied solely on our review of copies of Section 16(a) reports filed with the SEC and representations received by us from Reporting Persons, without any independent investigations.

We believe that each of the Reporting Persons timely filed Forms 3, 4 and 5 with the SEC during the fiscal year ended January 31, 2014, except that Mr. Griffin did not report certain transactions involving shares of our Common Stock until such transactions, including the transfer of shares between trusts and the disposition of 40,000 shares, were reported on Form 5 filed March 28, 2014.

**STOCKHOLDER NOMINATIONS AND PROPOSALS; DEADLINE FOR SUBMISSION OF  
STOCKHOLDER PROPOSALS FOR THE 2015 ANNUAL STOCKHOLDERS MEETING**

Our Certificate of Incorporation provides that, for stockholder nominations to the Board of Directors or other proposals to be considered at an annual meeting, the stockholder must have given timely notice thereof in writing to our Corporate Secretary. To be timely for the 2015 Annual Meeting, a stockholder's notice must be delivered to or mailed and received by our Corporate Secretary at the principal executive offices of the Company by January 15, 2015. A stockholder's notice to the Corporate Secretary must set forth, as to each matter the stockholder proposes to bring before the annual meeting, the information required by Article Thirteen and Fourteen of our Certificate of Incorporation.

Stockholders are entitled to present proposals for consideration at forthcoming stockholder meetings provided that they comply with the proxy rules promulgated by the SEC and our bylaws and Certificate of Incorporation. Stockholders wishing to present a proposal at our 2015 Annual Meeting of Stockholders must submit such proposal not less than 70 days prior to the next scheduled annual meeting or if less than 70 days prior notice of the next meeting is provided to our stockholders, within 10 days of the announcement of the next annual meeting.

**STOCKHOLDER COMMUNICATIONS WITH DIRECTORS**

Stockholders may communicate with the Board of Directors, or any of our individual directors, by sending their communications to the Board of Directors, or to any individual director, at the following address:

Board of Directors of Argan, Inc.

c/o Corporate Secretary

One Church Street, Suite 201

Rockville, Maryland 20850

All stockholder communications received by our Corporate Secretary will be delivered to one or more members of the Board of Directors, or, in the case of communications sent to an individual director, to such director.

**OTHER BUSINESS**

We know of no other matters to be submitted to the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy to vote the shares they represent as the Board of Directors may recommend.

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