

**KORR ACQUISITIONS GROUP, INC.**

1400 Old Country Road Suite 305  
Westbury, New York, 11590



June 15, 2020

Rainer H. Bosselmann, Chairman and Chief Executive Officer  
David H. Watson, Senior Vice President, Chief Financial Officer, Treasurer and Secretary  
Argan, Inc.  
One Church Street  
Suite 201  
Rockville, Maryland 20850

Cc: Board of Directors (the "Board")

Dear Rainer and David,

As you are both aware, KORR Acquisitions Group, Inc., together with its affiliates ("we," "us" or "KORR"), holds a significant ownership interest in Argan, Inc. ("AGX", or the "Company") and has done so for a number of years.

As active value-oriented investors, we at KORR prefer to be constructive with management versus engaging in costly and often distracting proxy contests to have our opinions heard. As you are aware, we have engaged in constructive dialogue directly with you in the past. We believe, as you do, that the Company owns and operates the best-in-class company in the Engineering, Procurement and Construction ("EPC") space through its ownership of Gemma Power Systems, Inc. Additionally, we consider Gemma's CEO, Mr. William Griffin, to be among the best stewards in the EPC space and we are confident that you share these opinions.

We have appreciated the opportunity to conduct an open and direct dialogue with you both for the past number of years. It was our hope to work cooperatively with you to implement our suggestions and effectuate positive change and maximize shareholder value.

One year ago, we provided you and the Board with a whitepaper that clearly detailed how Argan could demand a price well north of \$75 per share at the time (which today would be north of \$90 per share, given the fact that the Company's has secured several contracts since we submitted our whitepaper) in numerous ways, including an outright sale of Gemma Power Systems to a strategic buyer (please see copy attached).

Unfortunately, while we have demonstrated our patience during our time as shareholders, it has become abundantly clear that you have discarded our suggestions when implementing your plans for the Company. In light of this, we have decided to put forth our thoughts in writing and use this as an opportunity to publicly urge the Board to comply with their fiduciary duties and act in the best interests of the Company's shareholders.

For the past three years, AGX has underperformed the markets in almost every measure, other than in increasing its backlog to record levels and hoarding a tremendous amount of cash – two beacons of hope. The stock price has fallen from ~\$70 per share to today's price of \$40.80 (as of 6-11-2020) in the same period. Despite EBITDA projections of \$125-150 million per year for the next four years (based on the disclosed backlog and signed EPC contracts), no debt, and \$364 million in cash, the Company has failed to garner a valuation which accurately reflects its potential for years; and currently trades at an EV/EBITDA multiple of less than 2.

This brings us to the purpose of this letter. We would like to outline actions the Company can take to close the valuation gap for the benefit of all shareholders, which include divestitures, a share buyback program and an outright sale of the business.

**Transparency**

The manner in which the Company disclosed the cost overruns associated with Atlantic Projects Company ("APC"), a small subsidiary in the U.K., has left investors concerned that the Company may suffer the same fate of other EPC companies, which have lost the confidence of the investment community for their failures to properly bid on projects. While KORR knows that Gemma Systems (the Company's primary business unit) does not suffer from these flaws; and has a stellar

track record (as acknowledged above), investors need to understand both the magnitude of these losses and their impact (whether negative or otherwise) on earnings on a go-forward basis. Absent investors conducting their own independent investigations, including legal inquiries, investors are left in the dark as to the total impact of the TeesRep Biomass Power Station project on the future results. We have conducted an independent analysis, which suggests that the Company has several options that should “quarantine” this loss and which could, in fact, result in the Company recovering some of the losses incurred to date related to APC. By failing to provide clarity to shareholders as to your long-term plans for APC, you have caused shareholders to fear for the worst.

### **Coverage and shareholder relations**

You have only two analysts covering AGX’s stock, and neither analyst publishes their research publicly. The Company does not host quarterly earnings conference calls. Since you have been unwilling or unable to develop adequate coverage of AGX’s stock, shareholders will only realize fair value upon a sale of the business or the Company buying shares back with its stock pile of cash.

### **Buy-back program**

We do not believe in price-blind buybacks, nor do we believe in buybacks to the detriment of operating income. We appreciate that Company has a record backlog and contracts for over \$3 billion. In light of this and in line with Rainer’s thinking regarding maintaining a strong balance sheet which allows the Company to obtain its own bonding for projects, we would like the Company to institute a buyback program for up to 2 million shares, with a reasonable price cap, and further subject to the Company being able to continue to obtain its bonds for the \$3 billion worth of projects going forward. A buyback program is wise when the Company’s value is increasing. We believe AGX’s stock is significantly undervalued and its value will grow and will continue to trend upwards in the foreseeable future.

### **Strategic options**

We believe that the Company is a perfect acquisition for an industry player as described in our previously published thesis on SeekingAlpha.com and as described in our whitepaper. We would like the Board to authorize a significant buyback and pursue a sale of the company now. As previously stated in our whitepaper, we believe there are potential acquirers for the Company that could achieve significant synergies from an acquisition. If the Board is willing to commit to conduct an open and fair auction process, we anticipate that the Company can be sold at a significant premium from where AGX’s stock is trading today.

Our investment in AGX is important to us. We continue to believe in the future of the Company. We just don’t believe that the Board should allow the Company to act like a private company while trading on a public exchange. We are prepared to meet with you in person either in New York City or at your offices in Maryland in the coming weeks.

Sincerely,

*Kenneth Orr*

Kenneth Orr  
CIO  
KORR Acquisitions Group, Inc.