

RAVEN INDUSTRIES INC

Form DEF 14A

April 15, 2005

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OMB APPROVAL

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**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

**RAVEN INDUSTRIES, INC.**

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(Name of Registrant as Specified In Its Charter)

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(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)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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SEC 1913 (02-02)

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**205 E. 6<sup>th</sup> Street  
Sioux Falls, South Dakota  
Telephone 605-336-2750**

April 15, 2005

**Dear Shareholder:**

You are cordially invited to join us for our Annual Meeting of Shareholders to be held on Thursday, May 26, 2005, at 9:00 a.m. (Central Daylight Time) at a new location, the WASHINGTON PAVILION OF ARTS AND SCIENCE BELBAS THEATER, 301 South Main Avenue, Sioux Falls, South Dakota.

The Notice of Annual Meeting of Shareholders and the Proxy Statement that follow describe the business to be conducted at the meeting. We will also report on matters of current interest to our shareholders.

***Your vote is important.*** Whether you own a few shares or many, it is important that your shares are represented. If you cannot attend the meeting in person, you may vote your shares as described in the following materials by completing and signing the proxy card and promptly returning it in the enclosed envelope.

We look forward to seeing you at the meeting.

Sincerely,

Ronald M. Moquist  
President and Chief Executive Officer

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**RAVEN INDUSTRIES, INC.**

205 E. 6<sup>th</sup> Street  
P.O. Box 5107  
Sioux Falls, South Dakota 57117-5107

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**MAY 26, 2005**

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**TO THE SHAREHOLDERS OF RAVEN INDUSTRIES, INC.**

PLEASE TAKE NOTICE that the Annual Meeting of Shareholders (the Meeting ) of Raven Industries, Inc. (the Company ) will be held pursuant to due call by the Board of Directors of the Company, at the **Washington Pavilion of Arts and Science, Belbas Theater, 301 South Main Avenue, Sioux Falls, South Dakota**, on Thursday, May 26, 2005, at 9:00 A.M. (C.D.T.) or at any adjournments or postponements thereof, for the following purposes:

1. To elect seven directors; and
2. To transact such other business as may properly come before the Meeting or any adjournments or postponements thereof.

Pursuant to due action of the Board of Directors, shareholders of record at the close of business on April 7, 2005, are entitled to notice of and to vote at the Meeting or any adjournments thereof.

**A Proxy for the Meeting is enclosed. You are requested to fill in and sign the Proxy, which is solicited by the Board of Directors, and mail it promptly in the enclosed envelope.**

**If your Shares are held in street name, please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically.**

By Order of the Board of Directors

Raven Industries, Inc.

Thomas Iacarella  
Secretary

Approximate date of mailing of proxy material:  
April 15, 2005

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PROXY STATEMENT  
of  
**RAVEN INDUSTRIES, INC.**

205 E. 6<sup>th</sup> Street  
P.O. Box 5107  
Sioux Falls, South Dakota 57117-5107

**Annual Meeting of Shareholders to be held  
May 26, 2005**

**GENERAL**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Raven Industries, Inc. (the Company or Raven ) to be used at the Annual Meeting (the Meeting ) of Shareholders of the Company, which is to be held on Thursday, May 26, 2005, at 9:00 A.M. (C.D.T.) at the Washington Pavilion of Arts and Science, Belbas Theater, 301 South Main Avenue, Sioux Falls, South Dakota, or at any adjournments thereof. The approximate date on which this Proxy Statement and accompanying proxy were first sent or given to shareholders was April 15, 2005. Each shareholder who signs and returns a proxy in the form enclosed with this Proxy Statement may revoke the same at any time prior to its use by giving notice of such revocation to the Company in writing or in open meeting or by such shareholder giving a valid proxy bearing a later date. Presence at the meeting by a shareholder who has signed a proxy does not alone revoke the proxy. Only shareholders of record at the close of business on April 7, 2005 (the Record Date ) will be entitled to vote at the Meeting or any adjournments thereof.

**VOTING SECURITIES AND PROXIES**

The Company has outstanding only one class of voting securities, Common Stock, \$1.00 par value, of which 18,023,086 shares were outstanding as of the close of business on the Record Date. Shareholders representing a majority of the shares of Common Stock outstanding and entitled to vote must be present in person or represented by proxy in order to constitute a quorum to conduct business at the Meeting. Each shareholder has cumulative voting rights in the election of directors and is, therefore, entitled to (i) give one nominee a number of shares equal to the number of directors to be elected (which is seven) multiplied by the number of shares to which such shareholder is entitled to vote, or (ii) distribute the total number of shares among as many nominees as the shareholder deems advisable to vote. Where cumulative voting is exercised, there shall be deemed elected the candidates receiving the most votes for places to be filled by such election. If cumulative voting is exercised, the shares of a shareholder who either abstains, votes to withhold authority to vote for the nominees named below or who does not otherwise vote in person or by proxy (including broker-nominees) will not be counted for the election of directors. If no shareholder exercises its right to cumulate votes, then directors will be elected by the affirmative vote of a majority of shares of Common Stock represented at the meeting and eligible to vote. For this purpose, a shareholder who abstains with respect to the election of a director is considered to be present and entitled to vote on the election of a director at the Meeting, and is in effect casting a negative vote, but a shareholder (including a broker) who does not give authority to a proxy to vote, or withholds authority to vote on the election of a director, shall not be considered present and entitled to vote on the election of a director.

Discretionary authority to cumulate votes is being solicited by the Board of Directors (the Board ). Unless otherwise directed by a shareholder, the proxies named in the accompanying proxy card may elect to cumulate votes cast pursuant to a proxy by casting all such votes for one nominee or by distributing such votes among as many nominees as they deem desirable. If a shareholder desires to restrict the proxies named in the accompanying proxy card in casting votes for certain nominees, the





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shareholder should give such direction on the proxy card. On all matters other than the election of directors, each share of Common Stock is entitled to one vote.

**OWNERSHIP OF COMMON STOCK**

The following table sets forth as of the Record Date certain information with respect to the beneficial ownership of the Company's Common Stock by (i) any person known by the Company to be the owner, of record or beneficially, of more than 5% of the Common Stock, (ii) each of the executive officers, directors and nominees for election to the Company's Board of Directors, and (iii) all executive officers and directors as a group.

<b>Name</b>	<b>Shares</b>	<b>Percent</b>
<b>of beneficial owner</b>	<b>beneficially owned</b>	<b>of class</b>
Anthony W. Bour	49,299	*
David A. Christensen	792,250 <sup>(1)</sup>	4.4
Thomas S. Everist	12,200	*
Mark E. Griffin	201,980 <sup>(2)</sup>	1.1
Conrad J. Hoigaard	265,788	1.5
Thomas Iacarella	102,650 <sup>(3)</sup>	*
Cynthia H. Milligan	4,900	*
Ronald M. Moquist	916,060 <sup>(4)</sup>	5.1
Barbara K. Ohme	25,618 <sup>(5)</sup>	*
Daniel A. Rykhus	39,870 <sup>(6)</sup>	*
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202	2,385,000 <sup>(7)</sup>	13.2
All executive officers, directors and nominees as a group (10 persons)	2,410,615 <sup>(8)</sup>	13.3

\* Less than 1%

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- (1) Includes 579,472 shares owned by his wife, as to which he disclaims beneficial ownership.
- (2) Includes 169,996 shares held by John E. Griffin Trust, of which Mark E. Griffin is co-trustee, and 8,152 shares held as custodian for a minor child.
- (3) Includes 20,950 shares that may be purchased within 60 days by exercise of outstanding options.
- (4) Includes 110,000 shares that may be purchased within 60 days by exercise of outstanding options. Also includes 126,000 shares held by spouse.
- (5) Includes 8,650 shares that may be purchased within 60 days by exercise of outstanding options.
- (6) Includes 24,000 shares that may be purchased within 60 days by exercise of outstanding options.
- (7) Data based on Schedule 13G filed by the shareholder with the SEC on February 14, 2005, in which the shareholder stated: These securities are owned by various individual and institutional investors, including T. Rowe Price Small Capital Value Fund, Inc. (which owns 2,385,000 shares,...) which T. Rowe Price Associates, Inc. (Price Associates) serves as investment advisor with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (8) Includes 163,600 shares that may be purchased within 60 days by exercise of outstanding options. Also includes 705,472 shares held by spouses of officers and directors, as to which beneficial ownership is disclaimed.

**Table of Contents****ELECTION OF DIRECTORS****Proposal No. 1**

Seven directors are to be elected at the Meeting, each director to hold the office until the next Annual Meeting of Shareholders, or until his or her successor is elected and qualified. All of the nominees listed below are now serving as directors and all of the nominees have consented, if elected, to serve as directors. Independence has been determined according to Nasdaq listing standards. The Governance Committee of the Board of Directors has nominated the following persons for election as directors:

<b>Name of Nominee (Age)</b>	<b>Principal Occupation, Business Experience Past Five Years and Directorships in Public Companies</b>	<b>Director Since</b>	<b>Independent Director</b>
Anthony W. Bour (67)	President and Chief Executive Officer Showplace Wood Products, Harrisburg, SD since 1999. Broker Associate Commercial Real Estate, Hegg Companies, Sioux Falls, SD. Director of U.S. Bank of South Dakota, Sioux Falls, SD.	1995	Yes
David A. Christensen (70)	Former President and Chief Executive Officer of the Company from 1971 to 2000. Director of Xcel Energy, Inc., Minneapolis, MN; and Medcomp Software, Inc., Colorado Springs, CO.	1971	Yes
Thomas S. Everist (55)	President and Chief Executive Officer of The Everist Company, Sioux Falls, SD; Former President and Chief Executive Officer, L.G. Everist, Inc., Sioux Falls, SD, 1987-2002. Director of MDU Resources, Bismarck, ND; and Showplace Wood Products, Harrisburg, SD.	1996	Yes
Mark E. Griffin (54)	President and Chief Executive Officer of Lewis Drugs, Inc., Sioux Falls, SD since 1986. President and Chief Executive Officer of Griffson Realty Company, Fredin Associates and G.E.F. Associates, Sioux Falls, SD.	1987	Yes
Conrad J. Hoigaard (68)	Chairman of the Board of the Company since 1980. President and Chairman of the Board of Hoigaard's Inc., Minneapolis, MN since 1972.	1976	Yes
Cynthia H. Milligan (58)	Dean of the College of Business Administration University of Nebraska-Lincoln since 1998. Director of Wells Fargo and Co., San Francisco, CA; Gallup Organization, Lincoln, NE; W.K. Kellogg Foundation, Battle Creek, MI; and Calvert Funds, Bethesda, MD.	2001	Yes
Ronald M. Moquist (59)	President and Chief Executive Officer of the Company since 2000. Executive Vice President of the Company from 1985 to 2000. Joined the Company in 1975 as	1999	No

Sales and Marketing Manager.

All shares represented by proxies will be voted **for** the election of the foregoing nominees; provided, however, that if any such nominee should withdraw or otherwise become unavailable for reasons not presently known, such shares may be voted for another person in place of such nominee in accordance with the best judgment of the persons named in the proxies.

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The affirmative vote of the holders of the greater of (a) a majority of the outstanding shares of common stock of the Company present and entitled to vote for the election of directors or (b) a majority of the voting power of the minimum number of shares entitled to vote that would constitute a quorum for transaction of business at the meeting, is required for the election of directors. A shareholder who abstains with respect to the election of directors is considered to be present and entitled to vote on the election of directors at the meeting, and is in effect casting a negative vote, but a shareholder (including a broker) who does not give authority to a Proxy to vote, or withholds authority to vote, on the election of directors, shall not be considered present and entitled to vote on the election of directors.

All shares represented by proxies will be voted **FOR** all the previously named nominees unless a contrary choice is specified.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE **FOR** ALL NOMINEES.

**BOARD OF DIRECTORS AND COMMITTEES**

**Director Compensation.** The Board of Directors held four regular quarterly meetings and two special meetings during the last fiscal year. The Company has an Audit Committee, a Personnel and Compensation Committee and a Governance Committee. All directors attended at least 75 percent of their Board and Committee meetings. For the year ended January 31, 2005, directors who were not full-time employees of the Company were paid a retainer fee of \$12,000, a fee of \$1,200 per meeting (other than telephonic meetings) and \$600 per telephonic meeting. Committee members received \$600 per meeting attended. The Chairman of the Board receives compensation at the rate of \$1,000 per month in lieu of meeting fees.

**Governance Committee.**

- Members: Cynthia H. Milligan (Chair)  
Anthony W. Bour  
David A. Christensen  
Thomas S. Everist  
Mark E. Griffin  
Conrad J. Hoigaard
- Independence: All of the Committee members meet the independence requirements of Nasdaq listing standards.
- Responsibilities: The Committee reviewed corporate governance standards and nominated candidates for the Board of Directors. It met twice in fiscal 2005. The Committee also assessed the Board's effectiveness. It has established policies regarding Shareholder Communications with the Board and Nominations, both available on the Company's website, [www.ravenind.com](http://www.ravenind.com).
- Charter: The Charter is available on the Company's website, [www.ravenind.com](http://www.ravenind.com).

**Audit Committee.**

- Members: Thomas S. Everist (Chair)  
Anthony W. Bour  
Cynthia H. Milligan

Independence and Financial  
Expertise:

The Board has determined that each member of this Committee meets the requirements to be named audit committee financial experts as defined by the SEC rules implementing Section 407 of the Sarbanes-Oxley Act of 2002. The Committee members also meet the independence requirements of Nasdaq listing standards.

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Responsibilities: The Audit Committee monitors the company's procedures for reporting financial information to the public. It held three meetings in fiscal 2005. It is directly responsible for the appointment, compensation and oversight of the independent registered public accounting firm and has the sole authority to appoint or replace the independent registered public accounting firm. The Committee reviews the scope of the annual audit. The Committee also reviews related reports and recommendations and preapproves any non-audit services provided by such firm. In addition, the Committee maintains through regularly scheduled meetings and quarterly conference calls with the Committee Chair, open lines of communications between the Board of Directors and the Company's financial management and independent registered public accounting firm. See the Audit Committee Report below.

Charter: A copy of the amended charter accompanies this proxy statement as Exhibit A. The charter is also available on the Company's website, [www.ravenind.com](http://www.ravenind.com).

**Personnel and Compensation Committee**

Members: David A. Christensen (Chair)  
Mark E. Griffin  
Conrad J. Hoigaard

Independence, Insiders and Interlocks: All of the Committee members meet the independence requirements of Nasdaq listing standards. Mr. Christensen is the former President and Chief Executive Officer of the Company and joined the Committee after his retirement. No executive officer of the Company served as a member of the Compensation Committee or Board of Directors of another entity in which one of whose executive officers served on the Company's Compensation Committee or Board of Directors during fiscal 2005.

Responsibilities: The Committee reviews the Company's executive remuneration policies and practices, and makes recommendations to the Board in connection with compensation matters affecting the Company. It held two meetings in fiscal 2005. Compensation matters concerning the Chief Executive Officer and the other executives of the Company were approved by the full Board in executive session, with the Chief Executive Officer excused. See the Board Compensation Committee Report on Executive Compensation below.

Charter: The charter is available on the Company's website, [www.ravenind.com](http://www.ravenind.com).

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**CORPORATE GOVERNANCE**

**Code of Ethics.** The Board of Directors, through its Governance Committee has adopted a Code of Ethics that applies to directors, officers and all employees of the Company. The Code of Ethics is available on the Company's website at [www.ravenind.com](http://www.ravenind.com).

**Certain Relationships and Related Transactions.** Mrs. Milligan is on the Board of Directors of Wells Fargo and Co. which provides borrowings to the Company pursuant to a line of credit, the terms of which management considers competitive with other sources generally available to the Company. There were no borrowings under the credit line in fiscal 2005. As of April 7, 2005 the company has \$2.5 million of borrowings outstanding under the line of credit.

**Nominations to the Board of Directors.** The Governance Committee of the Board of Directors will recruit highly skilled and participative candidates who have the ability to strengthen the Board of Directors. The Governance Committee will consider timely presented nominations from shareholders if candidates are qualified.

Current directors whose performance, capabilities and experience meet the Company's expectations and needs are typically nominated for reelection. In accordance with the Company's Corporate Governance Standards, directors are not re-nominated after they reach their 72<sup>nd</sup> birthday.

The size of the Board should be between seven and nine members, with a majority being independent members as defined by the Securities and Exchange Commission and the Nasdaq Stock Market. The Company's lawyers, investment bankers and others with business links to the Company may not become directors. Interlocking directorships are not allowed.

Recognizing that the contribution of the Board will depend on not only the character and capabilities of the directors taken individually but also on their collective strengths, the Board should be composed of:

Directors chosen with a view toward bringing to the Board diverse experiences and backgrounds relevant to the Company's business;

Directors who will form a balanced core of business executives with varied expertise;

Directors who have substantial experience outside the business community in the public, academic or scientific communities, for example;

Directors who will represent the balanced, best interests of the shareholders as a whole rather than special interest groups or constituencies; and

A majority of directors who are independent of the Company.

In considering possible candidates for election as a director, the Governance Committee should be guided in general by the composition guidelines established above and, in particular, by the following:

Each director should be an individual of the highest character and integrity and have an inquiring mind, vision and the ability to work well with others and exercise good judgment;

Each director should be free of any conflict of interest which would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a director;



Each director should possess substantial and significant experience which would be of particular importance to the Company in the performance of the duties of a director;

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Each director should have sufficient time available to devote to the affairs of the Company in order to carry out the responsibilities of a director; and

Each director should have the capacity and desire to represent the balanced, best interests of the shareholders as a whole.

Consistent with the Company's bylaws, and the Governance Committee Charter, the Governance Committee will review and consider for nomination any candidate for membership to the Board recommended by a shareholder of the Company, in accordance with the evaluation criteria and selection process described above. Shareholders wishing to recommend a candidate for consideration in connection with an election at a specific annual meeting should notify the Governance Committee well in advance of the meeting date to allow adequate time for the review process and preparation of the proxy statement, and in no event later than the first day of February.

**Communications with the Board of Directors.** The Board of Directors believes that the most efficient means for shareholders and other interested parties to raise issues and questions and to get a response is to direct such communications to the company through the office of the Secretary of the Company. Other methods are also described in the Investor Relations section of the company's public website, [www.ravenind.com](http://www.ravenind.com).

If, notwithstanding these methods, a shareholder or other interested party wishes to direct a communication specifically to the Board of Directors, a letter to the Board is the most appropriate method. To insure that the communication is properly directed in a timely manner, it should be clearly identified as intended for the Board:

Raven Industries, Inc.  
Attention: Board Communications (Director Name if applicable)  
P.O. Box 5107  
Sioux Falls, SD 57117-5107

The Corporate Secretary's Office will collect and organize all such communications. A summary of communications received will be periodically provided to the Company's Governance Committee, who will make the final determination regarding the disposition of any such communication.

The Board believes that the Company should speak with one voice and has empowered management to speak on the Company's behalf subject to the Board's oversight and guidance on specific issues. Therefore, in most circumstances the Board will not respond directly to inquiries received in this manner but may take relevant ideas, concerns and positions into consideration.

**Table of Contents****EXECUTIVE COMPENSATION**

The following table ( Summary Compensation Table ) sets forth the cash and non-cash compensation earned for each of the last three fiscal years by the President and Chief Executive Officer, the Vice President and Chief Financial Officer, the Vice President Administration and the Executive Vice President and General Manager, Flow Controls Division (the Named Executive Officers ):

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS	
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) (1)	Securities Underlying Options Granted (#)	All Other Compensation(2) (\$)
Ronald M. Moquist President and Chief Executive Officer	2005	284,000	156,484	34,686	16,000	14,520
	2004	273,000	160,905	33,964	24,000	13,481
	2003	262,500	150,570	104,700	40,000	12,944
Thomas Iacarella Vice President and Chief Financial Officer	2005	153,667	64,790	26,779	8,000	7,640
	2004	141,000	62,164	30,121	13,000	6,757
	2003	135,000	58,077	57,410	20,000	6,377
Barbara K. Ohme Vice President Administration	2005(3)	92,026	29,700	8,045	4,000	4,521
Daniel A. Rykhus Executive Vice President and General Manager, Flow Controls Division	2005(4)	145,667	55,500	9,564	7,500	6,691

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(1) Other Annual Compensation.

	2005	2004	2003
<u>Ronald M. Moquist</u>			
Tax reimbursement on stock based compensation			\$ 66,281
Life insurance premiums	\$ 11,515	\$ 10,333	10,582
Company provided automobile	9,440	9,177	8,952
Other taxable fringe benefits	6,674	6,038	7,763
Tax reimbursement on taxable fringe benefits	7,057	8,416	11,122
	\$ 34,686	\$ 33,964	\$ 104,700
 <u>Thomas Iacarella</u>			
Tax reimbursement on stock based compensation			\$ 27,169
Supplemental health benefits	\$ 10,378	\$ 9,954	9,652
Life insurance premiums	4,412	5,357	4,130
Other taxable fringe benefits	4,348	4,280	5,885
Tax reimbursement on taxable fringe benefits	7,641	10,530	10,574
	\$ 26,779	\$ 30,121	\$ 57,410
 <u>Barbara K. Ohme</u>			
Supplemental health benefits	\$ 4,978		
Other taxable fringe benefits	1,565		
Tax reimbursement on taxable fringe benefits	1,502		
	\$ 8,045		
 <u>Daniel A. Rykhus</u>			
Supplemental health benefits	\$ 5,929		
Other taxable fringe benefits	1,565		
Tax reimbursement on taxable fringe benefits	2,070		
	\$ 9,564		

(2) Represents the Company's contribution related to the individual's participation in the Company's Profit Sharing and 401(k) Plans.

(3) Named Vice President-Administration on February 1, 2004. Amounts listed are for the entire fiscal year.

(4) Named Executive Vice President and Division Manager, Flow Controls Division on April 1, 2004. Amounts listed are for the entire fiscal year.

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The following table sets forth the information regarding the stock options that were granted during fiscal 2005 to the Named Executive Officers and the potential realizable value of such options if the value of the Common Stock appreciated during the term of such option at assumed rates of growth:

Name	Securities		Exercise price	Expiration	Potential realizable value at	
	Underlying Options	% of Total Options			Assumed rates of stock price Appreciation for option term <sup>(2)</sup>	
	Options Granted to Employees in	Granted to Employees in			5% (\$)	10%(\$)
	Granted(#) <sup>(1)</sup>	FY	(\$/sh)	Date		
Ronald M. Moquist	16,000	18.5	22.00	11-19-09	66,620	176,247
Thomas Iacarella	8,000	9.2	22.00	11-19-09	33,310	88,124
Barbara K. Ohme	4,000	4.6	22.00	11-19-09	16,655	44,062
Daniel A. Rykhus	7,500	8.7	22.00	11-19-09	31,228	82,616

(1) All options granted expire after five years and may be exercised at the rate of 25% per year after one year from the date of grant. Upon a change in control, vesting of options is accelerated. The option price may be paid in cash or by the delivery of shares of the Company's common stock, held by the option holder for at least six months, valued at the market price on the date of the option exercise. Option grants of less than \$100,000, as defined by the Internal Revenue Code of 1986, were incentive stock options and no income tax is payable by the executives unless shares are sold. However, incentive stock options are alternative minimum tax (AMT) preference items, potentially subjecting the executives to AMT liability in the year of exercise. The remaining options are considered to be non-qualified. In connection with the exercise of non-qualified stock options issued prior to fiscal 2000, the Company paid a reimbursement cash bonus of 35% of the exercise price of the option to assist in payment of income taxes payable by the employee as a result of the option exercise. The plan also allows for the payment of withholding taxes on the exercise of non-qualified stock options through the surrender of shares of the Company's common stock at market value.

(2) Amounts for the executives shown in these columns have been derived by multiplying the price of the company's common stock at the grant date by the annual appreciation rate shown (compounded for the term of the options), multiplying the result by the number of shares covered by the options and subtracting the aggregate exercise price of the options. The dollar amounts set forth under this heading are the result of calculations at the 5% and 10% rates set by the SEC and therefore are not intended to forecast possible future appreciation, if any, of the Company's stock price.

**AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUE**

The following table shows the stock options that were exercised during fiscal 2005 by the Named Executive Officers named in the Summary Compensation Table, the value realized by them as a result of exercising options, the number of unexercised options at the end of fiscal 2005 and the value of unexercised in-the-money options at the end of fiscal 2005:

**Value of unexercised**

Name	Shares acquired on exercise (#)	Value realized (\$)	Number of unexercised options at FY end		in-the-money options at FY end (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Ronald M. Moquist	67,500	959,938	110,000	66,000	1,515,300	483,500
Thomas Iacarella	21,500	383,236	20,950	33,750	237,499	245,410
Barbara K. Ohme	2,400	33,744	8,650	10,750	108,587	55,065
Daniel A. Rykhus			34,000	27,000	453,483	172,598

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**EMPLOYMENT AGREEMENTS AND CHANGE IN CONTROL AGREEMENTS**

Each of Mr. Moquist, Mr. Iacarella, Ms. Ohme and Mr. Rykhus (the Executives ) have entered into an employment agreement with the Company (collectively, the Employment Agreements ). Each Employment Agreement can be terminated by the Company or the Executive upon 30 days notice. The Employment Agreements provide that the Executives are entitled to participate in all employee benefit plans and fringe benefit programs maintained by the Company for its executive officers. In the event of death or other termination of employment without cause (as defined in the Employment Agreements) during the term of the Employment Agreements, each Executive who has reached specified retirement criteria is entitled to continuation of certain benefits. For Mr. Moquist and Mr. Iacarella these benefits will be grossed-up to cover anticipated income taxes payable by the Executive on the benefits.

Each Executive has also entered into a Change in Control Agreement with the Company (collectively, the Control Agreements ). The Control Agreements contain provisions designed to encourage the Executives to carry out their employment duties in the event of a change of control (as defined below). Such provisions state that, if Mr. Moquist's or Mr. Iacarella's employment is terminated by the Company or the Executive within two years after a change in control, Mr. Moquist or Mr. Iacarella will receive a severance payment in an amount of twice the Executive's annual salary and incentive payment, and certain other benefits. These payments will be grossed-up to cover anticipated income and excise taxes. In the case of Ms. Ohme and Mr. Rykhus, the severance will be based on 1.5 weeks of salary per year of employment, with salary and benefits not to exceed one year.

For purposes of these Control Agreements, a change in control is deemed to occur when and if (i) any person becomes the beneficial owner of at least 30% of the Company's Common Stock (in the case of Ms. Ohme and Mr. Rykhus, unless such acquisition was approved by the Board) or (ii) a majority of the Board of Directors consists of individuals who are not Incumbent Members (as defined in the Control Agreements).

**STOCK PERFORMANCE GRAPH**

The graph below compares the cumulative total shareholder return on the Company's Common Stock over the last five years with the total return of the Russell 2000 and the S & P Industrial Machinery Group.

Total Return on \$100 Investment Assuming Reinvestment of Dividends

Source: Bloomberg

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**BOARD COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

Decisions on compensation of the Company's executives have been made by the Personnel and Compensation Committee of the Board of Directors ( "Compensation Committee" ). Each member of the Compensation Committee is an independent director.

The Compensation Committee's executive compensation policies are designed to provide compensation that integrates pay with the Company's annual goals, rewards above average corporate performance, recognizes individual initiative and achievements, and assists the Company in attracting and retaining qualified executives.

The Committee compares the entire compensation program with companies of comparable size in similar industries. Although the Committee believes that the Company's program fell within the low to medium range for each individual executive, the Committee believes that the Company's compensation program is sufficiently competitive to retain competent personnel. Comparisons were made with companies which are not necessarily included in the performance graph. The graph is based on broad industry averages while the compensation program was compared to a relatively limited number of specific companies to which the Company related in size or industry type.

There are three elements in the Company's executive compensation program, all determined by individual and corporate performance:

Base salary compensation

Annual incentive compensation

Stock options

Base salary compensation, while largely subjective, is determined by the potential impact the individual has on the Company, the skills and experience required by the job, and the performance and potential of the incumbent in the job.

The Company has a policy of granting incentive bonuses to its executive officers, which are based on the Company achieving certain net income and expense targets during a fiscal year. The net income targets are generally established as a range, such that no incentive bonus is paid until the Company has achieved at least the bottom of the target range and the maximum bonus paid if the Company achieved the high end of the target range would, in the case of Mr. Moquist, be 48% of his base salary. Mr. Moquist is also entitled to bonus compensation of up to 12% of his base salary if the Company meets certain expense control and inventory turn targets.

Other executives under the plan were eligible to earn from 21% to 36% of base salary based either on net income or divisional operating income. They also had specific incentives for achieving individual goals set by the Committee, which allowed incentive payments ranging from 6% to 12% of base salary.

The Committee has not made any adjustments to predetermined formulas, other than to reflect organizational changes, nor has it made any provision for discretionary adjustment or awards of compensation. The criteria and basis for incentive compensation described above is similar to that used in each of the three years for which executive compensation is disclosed.

Awards of stock options under the Stock Option Plan are designed to promote the identity of long-term interests between the Company's executives and its shareholders and assist in the retention of executives. The Stock Option Plan also permits the Committee to grant stock options to key personnel. Options become exercisable based upon criteria established by the Compensation Committee. Awards of options are generally granted on the same criteria as



base salaries are determined.

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Based on recommendations of the Compensation Committee, the Board of Directors in fiscal 2005 granted stock options to officers and key employees. While the value realizable from exercisable options is dependent upon the extent to which the Company's performance is reflected in the market price of the Company's common stock at any particular point in time, the decision as to whether such value will be realized in any particular year is primarily determined by each individual executive and not by the Compensation Committee.

The annual base cash compensation of Mr. Moquist in fiscal 2005 was \$284,000. Mr. Moquist received a \$156,484 incentive based on partially achieving the net income and expense control targets described above. No subjective factors are used in determining annual incentive payments for Mr. Moquist or other executives. Mr. Moquist was granted 16,000 stock options as part of the Committee's annual stock option grant recommendation.

Submitted by the Personnel and Compensation Committee of the Company's Board of Directors:

David A. Christensen      Mark E. Griffin      Conrad J. Hoigaard

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES**

PricewaterhouseCoopers LLP served as the Company's independent registered public accounting firm during fiscal 2005. The Company's Audit Committee has engaged PricewaterhouseCoopers LLP to perform three quarterly reviews in fiscal 2006. The Committee selects the independent registered public accounting firm, for a one-year engagement, at its August meeting. No representative of PricewaterhouseCoopers LLP is expected to be present at the Annual Meeting of Shareholders. The aggregate fees billed by PricewaterhouseCoopers LLP for fiscal 2005 and 2004 are presented in the following table:

	2005	2004
Audit <sup>(1)</sup>	\$ 310,354	\$ 117,000
Audit related <sup>(2)</sup>	4,400	16,000
Tax services <sup>(3)</sup>	15,500	11,200
Other <sup>(4)</sup>	11,650	2,400
<b>Total Fees</b>	<b>\$ 341,904</b>	<b>\$ 146,600</b>

All items included in the above fee summary were subject to Audit Committee pre-approval. Such approval was obtained from the Committee or the Chair of the Committee prior to services performed and/or billing of services.

- 
- (1) Total fees for the financial statement audit were in accordance with the respective engagement letters and include timely quarterly reviews. Billings for out-of-pocket expenses are not included.
- (2) Audit related billings include the audit of the company's 401(k) plan. Fiscal 2004 billings include additional services provided for fiscal 2003 relating to the Company's adoption of FAS 123, Accounting for Stock-based Compensation, including research and consultation, testing of the Black Scholes valuation model and other audit procedures.

- (3) Tax services include the review of corporate income tax filings, consultation on nexus issues and a review of available export tax incentives.
- (4) Other billings include advisory services provided in connection with the Company's implementation of Section 404 of the Sarbanes-Oxley Act of 2002. Services include a one-day training for Company personnel billed in fiscal 2004.

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**AUDIT COMMITTEE REPORT**

The Audit Committee of the Board of Directors of Raven Industries, Inc. (the Audit Committee ) is composed of three independent directors and operates under a written charter. A copy of this charter is attached as Exhibit A of this Proxy Statement. The Committee selects the Company s independent registered public accounting firm. The Audit Committee has the authority to determine all funding and make any expenditures it deems necessary in order to carry out its responsibilities and duties.

Management is responsible for the Company s internal controls, financial reporting process and compliance with laws and regulations and ethical business standards. The Company s independent registered public accounting firm is responsible for performing an integrated audit of the Company s consolidated financial statements and of its internal control over financial reporting in accordance with the standards of the Public Accounting Oversight Board (the PCAOB ). The Audit Committee is responsible for monitoring and overseeing these processes.

In this context, the Audit Committee met and held discussions with management and the independent registered public accounting firm. Management represented to the Committee that the consolidated financial statements were fairly presented and prepared in accordance with accounting principles generally accepted in the United States of America. Management also presented its conclusion that as of January 31, 2005, internal control over financial reporting was effective. The Audit Committee reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Committee also discussed with the independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communications with Audit Committees) and PCAOB Auditing Standard No. 2 (An Audit of Internal Control Over Financial Reporting performed in conjunction with an Audit of Financial Statements).

The Company s independent registered public accounting firm provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and discussed the firm s independence. The Committee also reviewed the services provided by the independent registered public accounting firm (as disclosed under the caption Independent Registered Public Accounting Firm Fees ) when considering their independence.

Based upon the Audit Committee s discussion with management and the independent registered public accounting firm and the representations of management and the report of the independent registered public accounting firm, the Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company s Annual Report on Form 10-K for the year ended January 31, 2005, filed with the Securities and Exchange Commission.

Submitted by the Audit Committee of the Company s Board of Directors:

Thomas S. Everist      Anthony W. Bour      Cynthia H. Milligan

**PROPOSALS OF SHAREHOLDERS**

Pursuant to Rule 14a-8 under the Securities and Exchange Act of 1934, as amended, any shareholder who desires to submit a proposal for action by the shareholders at the company s 2006 annual meeting must submit such proposal in writing to Ronald M. Moquist, President and CEO, Raven Industries, Inc., P.O. Box 5107, Sioux Falls, South Dakota 57117-5107, by December 17, 2005. Shareholder proposals received after December 17, 2005, will not be included in the Company s proxy statement relating to the 2006 annual meeting. Additionally, if the Company receives notice of a shareholder proposal after March 1, 2006, such proposal will be considered untimely under Rules 14a-4 and 14a-5(e), and the persons named in the proxies solicited by the Board of Directors for the Company s



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2006 Annual Meeting may exercise discretionary voting power with respect to such proposal. Due to the complexity of respective rights of the shareholders and the Company in this area, any shareholder desiring to propose such an action is advised to consult with his or her legal counsel with respect to such rights. It is suggested that any such proposal be submitted by certified mail, return receipt requested.

**OTHER MATTERS**

**Compliance with Section 16(a) of the Securities Exchange Act of 1934.** Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten percent of the Company's Common Stock, to file reports of ownership and changes in ownership with the SEC and Nasdaq. Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file. Based solely on review of the copies of such forms furnished to the Company, the Company believes that during the year ended January 31, 2005, all officers, directors and ten-percent shareholders complied with the filing requirements of Section 16(a).

**Solicitation.** The Company will bear the cost of preparing, assembling and mailing the proxy, Proxy Statement, Annual Report and other material which may be sent to the shareholders in connection with this solicitation. Brokerage houses and other custodians, nominees and fiduciaries may be requested to forward soliciting material to the beneficial owners of stock, in which case they will be reimbursed by the Company for their expenses in doing so. Proxies are being solicited primarily by mail, but, in addition, officers and regular employees of the Company, without extra compensation, may solicit proxies personally, by telephone, by telegram or special letter.

The Board of Directors does not intend to present at the Meeting any other matter not referred to above and does not presently know of any matter that may be presented at the Meeting by others. However, if other matters properly come before the Meeting, it is the intention of the persons named in the enclosed proxies to vote the proxy in accordance with their best judgment.

By Order of the Board of Directors

Raven Industries, Inc.  
Thomas Iacarella, Secretary

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**EXHIBIT A**

November 19, 2004

**RAVEN INDUSTRIES, INC.  
AUDIT COMMITTEE CHARTER**

**Purpose**

The primary purpose of the Audit Committee (the Committee) is to oversee the quality and integrity of the Company's financial reporting process, including the financial reports and other information provided by the Company to any governmental or regulatory body, the public or other users thereof, the Company's systems of internal accounting and disclosure controls, and the annual independent audit of the Company's financial statements.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the power to retain outside counsel, auditors or other experts for this purpose. The Board of Directors (the Board) and the Committee are in place to represent the Company's shareholders; accordingly, the outside auditor is ultimately accountable to the Committee.

The Committee shall review the adequacy of this Charter on an annual basis and recommend to the entire Board any necessary or desirable amendments, as conditions may dictate.

**Membership**

The Committee shall be comprised of not less than three members of the Board, and the Committee's composition will meet the requirements of the Audit Committee Policy of the Nasdaq Stock Market.

Accordingly, all of the members will be directors:

- Who are independent as defined by Nasdaq and the Securities Exchange Act of 1934, as amended (the Exchange Act), including the rules and regulations promulgated by the Securities and Exchange Commission (the Commission) thereunder;

- Who have not participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years; and

- Who have a working familiarity with basic finance and accounting practices, including being able to read and understand financial statements.

In addition, at least one member of the Committee will have accounting or related financial management expertise, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. The Committee shall endeavor to have at least one of its members qualify as an audit committee financial expert in compliance with the criteria established by the Commission and other relevant regulations. The existence of such audit committee financial expert, including his or her name and whether he or she is independent, or the lack of an audit committee financial expert, shall be disclosed in the Company's periodic public filings as required by the Commission.

Members of the Committee shall be elected by the Board at its annual meeting and shall serve until the next annual meeting of the Board or until their successors have been duly elected and qualified. Unless a chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee.

**Meetings**

As part of its job to foster open communication, the Committee shall meet at least annually with management and the Company's independent auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.



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### **Key Responsibilities**

The Committee's job is one of oversight and it recognizes that the Company's management is responsible for preparing the Company's financial statements and that the outside auditors are responsible for auditing those financial statements. Additionally, the Company recognizes that financial management, as well as the outside auditors have more time, knowledge and more detailed information on the Company than do the Committee members; consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the outside auditor's work.

The following functions shall be common recurring activities of the Committee in carrying out its oversight function. These functions are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate given the circumstances:

The Committee shall review with management and the outside auditors the audited financial statements to be included in the Company's Annual Report on Form 10-K and review and consider with the outside auditors the matters required to be discussed by Statement of Auditing Standards ( SAS ) No. 61, as amended, or as updated by the Public Company Accounting Oversight Board ( PCAOB ).

As a whole, or through the Committee chair, the Committee shall review with the outside auditors the Company's interim financial results to be included in the Company's quarterly reports to be filed with the Securities and Exchange Commission and the matters required to be discussed by SAS No. 61, as amended, or as updated by the PCAOB. This review will occur prior to the Company's filing of the Form 10-Q.

The committee shall discuss with management the quality and adequacy of the Company's internal controls. The Committee shall discuss with the outside auditors any significant matters regarding internal controls over financial reporting that have come to their attention during the conduct of their audit.

The Committee shall:

Request from the outside auditors annually, a formal written statement delineating all relationships between the auditor and the Company consistent with Independence Standards Board Standard Number 1.

Discuss with the outside auditors any such disclosed relationships and their impact on the outside auditor's independence; and

Take appropriate action to oversee the independence of the outside auditor, including approval in advance of non-audit services.

The Committee shall report its actions to the full Board with such recommendations as the Committee may deem appropriate.

The Committee shall have the ultimate authority and responsibility to select, evaluate, compensate and, where appropriate, replace the outside auditor.

The Committee shall have the authority to determine all funding and make any expenditures it deems necessary in order to carry out its responsibilities and duties.

The Committee shall establish procedures for:

The receipt, retention, and treatment of complaints received by the Company regarding accounting, internal controls, or auditing matters; and

The confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

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**RAVEN INDUSTRIES, INC.**

**ANNUAL MEETING OF SHAREHOLDERS**

**Thursday, May 26, 2005  
9:00 a.m.**

**Washington Pavilion of Arts and Science  
Belbas Theater  
301 South Main Avenue  
Sioux Falls, SD**

**Raven Industries, Inc.  
Box 5107, Sioux Falls, SD 57117-5107**

**proxy**

**This proxy is solicited on behalf of the Board of Directors.**

The shares of stock you hold in your account or in a dividend reinvestment account will be voted as you specify on the reverse side of this form.

**If no choice is specified, the proxy will be voted FOR Item 1.**

By signing the proxy, you hereby appoint Conrad J. Hoigaard and Ronald M. Moquist, or either of them, each with the power to appoint his substitute, to represent and to vote all the shares of common stock of RAVEN INDUSTRIES, INC. held by you on April 7, 2005, at the ANNUAL MEETING OF SHAREHOLDERS to be held on May 26, 2005, and at any adjournments thereof.

NOTE: The proxies named above may choose to exercise cumulative voting in the manner described in the accompanying Proxy Statement.

*See reverse for voting instructions.*

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*Please detach here*

**The Board of Directors Recommends a Vote FOR Item 1.**

- |                           |                         |                        |   |                                   |
|---------------------------|-------------------------|------------------------|---|-----------------------------------|
| 1. Election of directors: | 01 Anthony W. Bour      | 05 Conrad J. Hoigaard  | o Vote FOR all nominees (Except as indicated below) | o Vote WITHHELD from all nominees |
|                           | 02 David A. Christensen | 06 Cynthia H. Milligan |   |                                   |
|                           | 03 Thomas S. Everist    | 07 Ronald M. Moquist   |   |                                   |
|                           | 04 Mark E. Griffin      |                        |   |                                   |
|                           |                         |                        |   |                                   |
|                           |                         |                        |   |                                   |

**(Instructions: To withhold authority to vote for any indicated nominee, write the number(s) of the nominee(s) in the box provided to the right.)**

If you wish to cumulate votes, please indicate your votes in the space that follows:

2. Upon such other business as may properly come before the meeting.

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR EACH PROPOSAL.**

Address Change? Mark Box      o      Indicate changes below:      Date

**Signature(s) in Box**  
 Please sign exactly as your name(s) appears on Proxy. If held in joint tenancy, all persons must sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the proxy.