

ARGAN INC
Form DEF 14A
May 09, 2011

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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

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.
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(3) Filing Party:

(4) Date Filed:

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One Church Street
Suite 201
Rockville, MD 20850
301-315-0027
fax 301-315-0064
www.arganinc.com
May 12, 2011

Dear Fellow Argan, Inc. Stockholder:

You are cordially invited to attend our 2011 Annual Meeting of Stockholders to be held on Tuesday, June 21, 2011, at 11:00 a.m. local time, in the Truman 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, 2011, we will mail our stockholders a Notice of Internet Availability of Proxy Materials (the Notice) containing instructions on how to access our 2011 Proxy Statement and 2011 Annual Report and 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.

I look forward to seeing you on June 21st.

Very truly yours,

/s/ Rainer H. Bosselmann

Rainer H. Bosselmann
Chief Executive Officer

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**Argan, Inc.
One Church Street, Suite 201
Rockville, Maryland 20850
Notice of
Annual Meeting of Stockholders
to Be Held Tuesday, June 21, 2011**

To Our Stockholders:

Our 2011 Annual Meeting of Stockholders (the Annual Meeting) will be held on June 21, 2011 at 11:00 a.m., local time, in the Truman 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 2012 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 approve the Argan, Inc. 2011 Stock Plan (the Stock Plan) and the allocation of 500,000 shares of our common stock reserved for issuance under the Stock Plan;
3. To ratify the appointment of Grant Thornton LLP as our independent registered public accountants for the fiscal year ending January 31, 2012; and
4. To transact any other business that may properly come before the 2011 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 25, 2011 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,

/s/ Arthur F. Trudel

Arthur F. Trudel
Corporate Secretary

Rockville, Maryland
May 12, 2011

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**Argan, Inc.
One Church Street, Suite 201
Rockville, Maryland 20850
Proxy Statement
May 12, 2011**

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 2011 Annual Meeting of Stockholders (the **Annual Meeting**) to be held on June 21, 2011, at 11:00 a.m., local time, in the Truman Room of the Hilton Washington, DC/Rockville Hotel and Executive Meeting Center, located at 1750 Rockville Pike, Rockville, Maryland 20852-1699. This Proxy Statement and the accompanying proxy card are being mailed starting on or about May 12, 2011 to stockholders of record on April 25, 2011. Our Annual Report on Form 10-K for the fiscal year ended January 31, 2011 (the **Annual Report**) is enclosed with this 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 2012 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 approval of the Company's 2011 Stock Plan (the **Stock Plan**) and the allocation of 500,000 shares of common stock reserved for issuance under the Stock Plan; and
3. The ratification of the appointment of Grant Thornton LLP as our independent registered public accountants for the fiscal year ending January 31, 2012.

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** each of the three proposals set forth above 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 this Proxy Statement and our 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. On or about May 12, 2011, 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 our Annual Report for the current year, and how to access an electronic proxy card to vote on the Internet or by telephone.

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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, your bank or brokerage firm 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 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 25, 2011 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. Eastern Daylight Time) on April 25, 2011 (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 Principal Stockholders.

Outstanding Shares

At the close of business on the Record Date, April 25, 2011, there were 13,601,994 shares of Common Stock outstanding. The closing price of our Common Stock on the Record Date, as reported by NYSE Amex, was \$9.47 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 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. These rules apply to us notwithstanding the fact that shares of our Common Stock are traded on the NYSE Amex market. 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.

The New York Stock Exchange rules no longer grant brokers discretionary authority to vote in the election of directors. 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 the election of directors. We urge you to promptly provide voting instructions to your broker to ensure that your shares are voted in the election of directors. Please follow the instructions set forth in the Notice.

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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 is described below.

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 and voting.

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. Abstentions and broker non-votes are not taken into account in determining the outcome of the election of directors.

Approval of the 2011 Stock Plan. Approval of this non-routine matter 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 these proposals.

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.

Accordingly, abstentions, broker non-votes or the failure to either return a proxy or to attend the Annual Meeting will be deemed to be the related stockholder not voting on the Election of Directors, the approval of the 2011 Stock Plan and the Ratification of Accountants.

The Named Executive Officers and the Directors of the Company will vote the shares of Common Stock beneficially owned or controlled by them (representing approximately 22% of the shares of Common Stock issued and outstanding as of January 31, 2011) in favor of each of the proposals discussed above.

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 the Board of Directors of the Company 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 of the Company 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.

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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 each proposal, including FOR the election to the Board of each of the nominees named on the proxy card, 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

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.

Expenses of Soliciting Proxies

The expenses of solicitation, including the cost of printing and mailing, will be paid by the Company. After the original mailing of the proxy materials, we and/or our agents may also solicit proxies by mail, telephone, telegraph, facsimile, e-mail or in person. 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. The Company may reimburse brokers, nominees and other fiduciaries for their reasonable expenses in forwarding proxy materials to beneficial owners.

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.

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ELECTION OF DIRECTORS**

The directors of the Company 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, stockholders of the Company are being asked to elect eight 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 director. 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, 2011, and certain information about them are set forth below:

Name	Age	Position
Rainer H. Bosselmann	68	Chairman of the Board
Henry A. Crumpton	54	Director
Cynthia A. Flanders	56	Director
DeSoto S. Jordan	66	Director
William F. Leimkuhler	59	Director
Daniel A. Levinson	50	Director
W.G. Champion Mitchell	64	Director
James W. Quinn	53	Director

Rainer H. Bosselmann. Mr. Bosselmann has been a Director and Chairman of the Board of Directors since May 2003 and 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. Since 1996, Mr. Bosselmann has served as a principal with Holding Capital Group, Inc., a firm engaged in mid-market acquisitions and investments. 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 listed on the American Stock Exchange. Mr. Bosselmann currently serves as a director of Midasco LLC, The Roberts Company and Morgan Contracting Inc., all of which are companies controlled by Main Street Resources.

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 Board continuity. 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 and the Company.

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Henry A. Crumpton. Ambassador Crumpton has been a Director of the Company 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 Director of the Company since April 2009. In 2009, she also founded Skipjack Partners LLC, a woman-owned consultancy that advises entrepreneurs and businesses on issues of capital, strategy, organization and management. 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 South/Central New Jersey, Pennsylvania, Delaware, Maryland, Virginia and the District of Columbia. 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, DC 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 general commercial banking matters and issues specifically related to the Bank.

DeSoto S. Jordan. Mr. Jordan has been a Director of the Company since May 2003. Mr. Jordan has been Chairman of Afton Holdings, LLC, a private equity firm, since 2000. Mr. Jordan was a co-founder of Perot Systems Corporation (Perot) and served as an officer from 1988 to 1999 and as a Director from February 2004 to the time of its acquisition in 2009. Mr. Jordan was a Director of Arguss from 1999 through 2002.

Mr. Jordan has been a long-time and trusted source of business advice to the Company's senior executives as a member of the Company's Board as well as the board of directors of Arguss. He is richly experienced in both executive management and board service. His experience gained as a member of both the compensation committee and the nominating and governance committee for the board of directors of Perot is particularly valued by our Board, and makes him well-qualified to serve as the chair of the Board's Compensation Committee.

William F. Leimkuhler. Mr. Leimkuhler has been a Director 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. From 1994 through 1999, he held various positions with Allen & Company LLC, 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 Speedus Corp. (NASDAQ: SPDE) and 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). 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 the Board and provides special insight to them on matters relating to financial reporting and corporate governance requirements.

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Daniel A. Levinson. Mr. Levinson has been a Director of the Company since May 2003. In 1997, Mr. Levinson founded Main Street Resources, a niche sponsor of private equity transactions, and has been its managing partner. Since 1998, Mr. Levinson has been President of MSR Advisors, Inc. From 1988 to 1997, Mr. Levinson was one of the principals of Holding Capital Group. Mr. Levinson was also a Director of Arguss from 2000 through 2002.

As a member of the boards of Arguss and the Company, Mr. Levinson has been a valuable and long-time source of advice and counsel to our Chief Executive Officer on general business issues and on a wide variety of financial matters as well as strategic planning and the evaluation of potential acquisition targets. He also contributes to the Board his considerable financial acumen, business analytical skills and experiences gained from active involvement in the oversight of each of the companies included in his firm's portfolio.

W.G. Champion Mitchell. Mr. Mitchell has been a Director of the Company since October 2003. From January 2003 until June 2008, Mr. Mitchell was Chairman of the Board and Chief Executive Officer of Network Solutions, Inc. which is 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 41st 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 the Company addresses the contemporary issues facing public companies today. His experience provides him with substantial insight into management, operational and financial matters, and knowledge of market conditions and trends.

James W. Quinn. Mr. Quinn has been a Director of the Company since May 2003. Mr. Quinn is currently a Managing Director of Allen & Company LLC (Allen), an investment banking firm. 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. Mr. Quinn served as a Director of Arguss from 1999 through 2002.

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 Nominating Committee. His many years of experience allow him to counsel the Board on matters such as mergers and acquisitions, capital structure, financings and strategic planning and to provide insightful views on public company reporting matters and general business trends.

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

Although the Company does not have a formal policy with respect to the attendance of members of our Board of Directors at annual meetings, the Company strongly encourages directors to attend the annual meeting. All but one of our directors attended last year's annual meeting, and we expect that all of our directors will attend this year's Annual Meeting.

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During the fiscal year ended January 31, 2011, the Board of Directors met four (4) times, including telephone conference meetings, and acted by unanimous written consent on three (3) other occasions. No director attended fewer than 75% of the aggregate number of meetings of the Board of Directors and meetings held by all committees of the Board on which the director served during the fiscal year except Mr. Jordan who participated in 50% of applicable meetings during the fiscal year.

The Board has four standing committees: the Executive Committee, the Audit Committee, the Compensation Committee, and the Nominating Committee. The functions of each of these committees and their members are specified below. The latter three committees operate under written charters approved by the Board of Directors, which are available on our website at www.arganinc.com.

The Executive Committee is comprised of Messrs. Bosselmann (who is the chairman of this committee), Jordan and Levinson. The Executive Committee, which held no meetings during fiscal year ended January 31, 2011, is authorized to exercise the general powers of the Board of Directors managing the business and affairs of the Company between meetings.

The members of the other three committees are identified in the following table.

Director	Audit Committee	Compensation Committee	Nominating Committee
Henry A. Crumpton	Member		
Cynthia A. Flanders	Member		
DeSoto S. Jordan	Member	Chairman	Member
William F. Leimkuhler	Chairman	Member	
Daniel A. Levinson			
W.G. Champion Mitchell			Chairman
James W. Quinn		Member	Member

The Board has determined that the following members of the Board are independent directors, as such term is defined in Section 803 of the NYSE Amex Company Guide: Messrs. Jordan, Leimkuhler, Mitchell, Quinn, Ambassador Crumpton and Ms. Flanders. The independent directors may meet from time to time in executive session without the other members.

Audit Committee. During the fiscal year ended January 31, 2011, the Audit Committee met six (6) times, including telephone conference 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 written charter of the Audit Committee was adopted in October 2003. The Audit Committee assists the full Board of Directors in its oversight of our financial accounting, reporting and internal controls by meeting with members of management and our independent registered public accountants. The Audit Committee has the responsibility to review our annual audited financial statements, and meets with management and the independent accountants at the end of each quarter to review the quarterly financial results. In addition, this group considers and approves the employment of, and approves the fee arrangements with, independent accountants for audit and other functions. The Audit Committee reviews our accounting policies and internal controls.

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Compensation Committee. During the fiscal year ended January 31, 2011, the Compensation Committee met once by telephone conference and the members held other telephone discussions, primarily to review the performance of the Company's Chief Executive and Chief Financial Officers. The members of the Compensation Committee are independent directors under applicable stock exchange rules. No member of the Compensation Committee was an officer or employee of the Company during the fiscal year ended January 31, 2011.

The written charter for the Compensation Committee was adopted in April 2004. 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 the Company's business objectives and to align the interests of executive officers with the long-term interests of the Company's 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 executive officers of the Company which 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 the Chief Executive Officer of the Company, to review and approve the compensation (salary, bonus and other compensation) of the other executive officers of the Company, and to review and approve perquisites offered to executive officers of the Company. The Compensation Committee shall also review and approve corporate goals and objectives relevant to the compensation of executive officers of the Company, evaluate performance in light of the goals and objectives, and review and approve all employment, retention and severance agreements for executive officers of the Company.

The Compensation Committee acts on behalf of the Board of Directors in administering compensation plans approved by the Board and/or the stockholders of the Company (including the Company's 2001 Stock Option 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 executive officers of the Company. The Compensation Committee also reviews the management succession program for the Chief Executive Officer and selected executive officers of the Company.

Nominating Committee. The written charter of the Nominating Committee was adopted in April 2004. The Nominating Committee is responsible for identifying individuals qualified to become members of the Board of Directors, and 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 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, the Nominating 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 Nominating 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 the current and long-term objectives of the Company and should be willing and able to contribute positively to the decision-making process of the Company; (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 the various constituencies of the Company, 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 the Company's 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 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.

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The Nominating Committee 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 the Company's 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 director if elected. The Nominating 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 following address:

Nominating Committee
Argan, Inc.
c/o Corporate Secretary
One Church Street, Suite 201
Rockville, Maryland 20850

Board Leadership and Risk Oversight

Mr. Bosselmann, the Company's Chief Executive Officer, currently serves as the Chairman of our Board of Directors. None of the other seven members of the Board are members of management, and six of these members are considered to be independent based on our Board's consideration of our independence standards and the applicable New York Stock Exchange independence standards. 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 has not designated a lead independent director.

The Board periodically reviews the structure of the Board. As set forth in the Company's 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 the Company has in place corporate best practices 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 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 financial statements and internal controls over financial reporting.

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 Committees that address risks inherent in their respective areas of oversight.

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 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 the Board, potential conflicts of interest and succession planning. The Compensation Committee administers our stock option plan, 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 entire Board approves the salary and bonus amounts paid to executive officers and approves 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.

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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.

Compensation of Directors

Each non-employee director of the Company receives an annual fee of \$20,000, plus \$300 for each formal 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, 2011:

Name	Fees	Stock Option Awards⁽¹⁾	All Other Compensation	Total Compensation
Henry A. Crumpton	\$ 27,400	\$ 24,900	\$	\$ 52,300
Cynthia A. Flanders	\$ 27,700	\$ 24,900	\$	\$ 52,600
DeSoto S. Jordan	\$ 25,900	\$ 24,900	\$	\$ 50,800
Daniel A. Levinson	\$ 20,900	\$ 24,900	\$	\$ 45,800
William F. Leimkuhler	\$ 27,700	\$ 24,900	\$	\$ 52,600
W.G. Champion Mitchell	\$ 21,200	\$ 24,900	\$	\$ 46,100
James W. Quinn	\$ 21,200	\$ 24,900	\$	\$ 46,100

(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, 2011.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During the year ended January 31, 2011, Messrs. Quinn, Jordan and Leimkuhler served on the Compensation Committee. There are no compensation committee interlocks between the Company and other entities involving the Company's executive officers and directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF THE NOMINATED DIRECTORS IDENTIFIED ON PAGE 5

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**PROPOSAL NO. 2
APPROVAL OF THE 2011 STOCK PLAN**

Background

On April 5, 2011, the Board of Directors adopted resolutions, subject to stockholder approval, to adopt the Argan, Inc. 2011 Stock Plan (the "Stock Plan") and to reserve 500,000 shares of our Common Stock for issuance thereunder. The purpose of the Stock Plan is to provide our 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.

The Stock Plan replaces the Argan, Inc. 2001 Stock Option Plan (the "2001 Plan") which expires on July 19, 2011. As of April 30, 2011, there were 136,750 shares of Common Stock available for grant under the 2001 Plan and there were outstanding options to purchase 744,724 shares of our Common Stock, including options to purchase 237,000 shares of our Common Stock that were granted to certain named executive officers, key employees and members of the Board of Directors during the fiscal year ended January 31, 2011.

The material features of the Stock Plan are outlined below. This summary is qualified in its entirety by reference to the full text of the Stock Plan, a copy of which is attached hereto.

The 2011 Stock Plan

Purpose. The purpose of the Stock Plan is to provide incentives to employees, directors and consultants who are in a position to contribute materially to our long term success, to increase their interest in the Company's welfare and to aid in attracting and retaining individuals with outstanding ability. The Plan is administered by the Compensation Committee (the "Compensation Committee") of our Board of Directors.

Eligibility. Subject to certain other provisions of the Stock Plan, the number of shares of our Common Stock which may be issued or transferred pursuant to stock options and stock awards granted under the Stock Plan ("Awards") and the number of shares of our Common Stock which may be subject to outstanding but unexercised stock options granted under the Stock Plan shall not exceed 500,000 shares in the aggregate. Stock options granted under the Stock Plan may be either "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or non-qualified options. Incentive stock options may be granted only to employees of the Company (including directors who are employees), while non-qualified options may be issued to employees, directors (whether or not an employee) and consultants of the Company. Employees, directors and consultants shall also be eligible to receive grants of restricted and/or unrestricted stock under the Stock Plan. Our Board of Directors has the authority to determine those individuals who shall receive Awards and the number of shares of our Common Stock subject to such Awards. The Board of Directors shall also determine the time periods during which stock options granted under the Stock Plan may become partially or fully exercisable and the exercise price for each stock option granted under the Stock Plan, subject to certain limitations described therein. Restricted stock grants may be made subject to vesting, in one or more installments, upon the happening of certain events, upon the passage of a specified period of time, upon the fulfillment of certain conditions or upon the achievement by the Company or any subsidiary, division, affiliate or joint venture of the Company of certain performance goals, as the Compensation Committee shall decide in each case when restricted stock grants are awarded.

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Terms of the Options. Awards must occur no later than July 19, 2021. The per share purchase price of the shares of Common Stock subject to incentive and non-qualified stock options may not be less than the fair market value of the Common Stock on the date that the stock option is granted. For incentive stock options granted to any person who owns, directly or indirectly, at the time of the grant, 10% or more of the total combined voting power of all classes of stock of the Company (a 10% Stockholder), the per share purchase price of the shares of Common Stock subject to the option shall be at least 110% of the fair market value of our Common Stock on the date of grant. Incentive stock options granted under the Stock Plan cannot be exercised more than ten years from the date of grant except that the term of an incentive stock option issued to a 10% Stockholder cannot exceed five years. The aggregate exercise price of an incentive stock option, or any portion thereof, shall be payable on the date of exercise of the option (i) in cash or by check, bank draft or postal or express money order by the option holder, or (ii), provided that a public market exists for our Common Stock, in consideration received by the Company under a procedure whereby a qualified broker-dealer advances funds on behalf of an option holder or sells shares acquired upon the exercise of a stock option on behalf of a option holder. Notwithstanding any other provisions hereof, the aggregate fair market value (determined at the time the option is granted) of the Common Stock with respect to which an incentive stock option becomes exercisable for the first time during any calendar year (under the Stock Plan and all other similar plans of the Company) shall not exceed \$100,000.

Transferability. No right under the Stock Plan may be transferred other than by will or the laws of descent and distribution. During the lifetime of an option holder, a stock option will be exercisable only by the option holder or his/her conservator. If a stock option shall expire and terminate for any reason, in whole or in part, without being exercised or, if a stock award is forfeited because the restrictions with respect to such stock award shall not have been met or have lapsed, the number of shares of Common Stock subject to the stock option or which are no longer outstanding under a stock award may again become available for an Award.

Federal Income Tax Consequences. If an option granted under the Stock Plan is an incentive stock option, the option holder will recognize no taxable income upon grant of the incentive stock option and incur no tax liability due to the exercise unless the option holder is subject to the alternative minimum tax. The Company will not be allowed a deduction for federal income tax purposes as a result of the exercise of an incentive stock option regardless of the applicability of the alternative minimum tax. Upon the sale or exchange of the shares at least two years after grant of the option and one year after transfer of the shares to the option holder by the Company, any gain will represent a long-term capital gain for the option holder. If these holding periods are not satisfied, the option holder will recognize ordinary income equal to the difference between the exercise price and the lower of the fair market value of the Common Stock at the date of the option exercise or the sale price of the Common Stock. The Company will be entitled to a deduction in the same amount as the ordinary income recognized by the option holder. Any gain recognized on such a premature disposition of the shares in excess of the amount treated as ordinary income will be characterized as capital gain. Currently, the tax rate on net capital gain (net long-term capital gain minus net short-term capital loss) is capped at 15%. Capital losses are allowed in full against capital gains plus \$3,000 of other income. We will be entitled to a tax deduction in the same amount as the ordinary income recognized by an option holder with respect to shares of Common Stock acquired upon the exercise of a non-qualified stock option.

The recipient of a restricted stock award generally does not recognize taxable income at the time of award, and we are not entitled to a tax deduction at that time unless the recipient elects to be taxed at the time of award by making an election under Section 83(b) of the Code within 30 days of the date of award. When the restrictions applicable to the shares lapse, the recipient recognizes ordinary income in an amount equal to the excess of the fair market value of the shares of our Common Stock at such time over the amount, if any, paid for the shares. Ordinarily, we will be entitled to a tax deduction at the same time and in the same amount as the ordinary income recognized by the recipient. The grant of an award of unrestricted shares of our Common Stock has immediate income tax consequences for both the recipient and us. The recipient will recognize ordinary income at the time of the award in an amount equal to the then fair market value of the Common Stock less any amount paid for the shares. Ordinarily, we will be entitled to a tax deduction at the same time and in the same amount as the ordinary income recognized by the recipient.

The foregoing is only a summary of the effects of federal income taxation upon individuals and us with respect to Awards and the acquisition of shares of our Common Stock under the Stock Plan, and does not purport to be

complete. References should be made to the applicable provisions of the Code. In addition, this summary does not discuss the income tax laws of any municipality, state or foreign country in which the recipient of an Award.

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Termination of Employment/Relationship. If employment with the Company of the holder of a stock option is terminated other than by disability or death, the term of any then outstanding stock option held by the employee shall extend for a period no later than three months after the employment termination date, in the case of an incentive stock option, and no later than twelve months after the employment termination date, in the case of a non-qualified stock option. If a director ceases to be a director, or a consultant ceases to provide services to us, other than by reason of death, the terms of any then outstanding non-qualified stock option held by the individual shall extend for a period no later than twelve months after cessation of the services being provided to the Company by the option holder. If employment with the Company of the holder of an incentive stock option is terminated by reason of disability, the term of any then outstanding incentive stock option held by the employee shall extend for a period ending no later than twelve months after the employment termination date. In all cases, a stock option shall be exercisable to the extent it was exercisable as of the last date of employment or service, as applicable. If an option holder dies, the representative of his/her estate or beneficiaries thereof to whom the stock option has been transferred shall have the right during the period ending no later than twelve months after the date of death to exercise any then outstanding stock options in whole or in part. Notwithstanding the foregoing, all stock options outstanding at the time of a change in control of the Company, as defined in the Stock Plan, shall become fully vested. If an individual who holds restricted stock awarded under the Stock Plan ceases his/her employment with us or service to us, as applicable, prior to the lapse of any restrictions related to the restricted stock, such Common Stock shall be forfeited and returned to us.

Equity Compensation Plan Information

The following table sets forth certain information, as of January 31, 2011, concerning securities authorized for issuance under warrants and options to purchase our Common Stock.

	Number of Securities Issuable under Outstanding Warrants and Options	Weighted- Average Exercise Price of Outstanding Warrants and Options	Number of Securities Remaining Available for Future Issuance
Equity Compensation Plans Approved by the Stockholders (1)	675,724	\$ 11.29	208,750
Equity Compensation Plans Not Approved by the Stockholders			
Totals	675,724	\$ 11.29	208,750

(1) Approved plans include the Company's 2001 Stock Option Plan. As of January 31, 2011, a total of 1,150,000 shares of Common Stock had been authorized for issuance under the Company's 2001 Stock Option Plan by the stockholders.

In connection with our private placement offering of Common Stock that occurred in April 2003, we also issued warrants to purchase 230,000 shares of Common Stock to various parties. Included were (1) warrants to purchase an aggregate of 180,000 shares of Common Stock that were issued to three individuals (including Messrs. Bosselmann and Trudel) who became executive officers of the Company upon completion of the offering, and (2) warrants to

purchase 50,000 shares of Common Stock that were issued to MSR Advisors, Inc. Mr. Levinson, one of our directors, is the President of this firm. The purchase price per share of Common Stock under all of these warrants is \$7.75; the warrants expire in December 2012. As of January 31, 2011, warrants to purchase 163,000 shares of Common Stock were outstanding.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* THE APPROVAL OF
THE ARGAN, INC. 2011 STOCK PLAN AND THE ALLOCATION OF 500,000 SHARES
OF OUR COMMON STOCK RESERVED FOR ISSUANCE THEREUNDER**

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**PROPOSAL NO. 3
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, 2012, 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. Representatives of the accounting firm are not expected to be present at the Annual Meeting.

Fees

The following table below presents estimated and billed fees for professional services rendered to us by Grant Thornton for work performed during and related to the fiscal years ended January 31, 2011 and 2010.

	2011	2010
Audit Fees	\$ 406,000	\$ 583,000
Audit-Related Fees		34,000
Tax Fees	10,000	19,000
All Other Fees		
Total Fees	\$ 416,000	\$ 636,000

Audit Fees. This category consists of fees billed for professional services rendered for audits of our annual consolidated financial statements, for reviews of quarterly condensed consolidated financial statements, for the 2010 audit of our system of internal control and other consultation related to compliance with Section 404 of the Sarbanes-Oxley Act, for the review of current reports and other documents filed with the SEC, and for other accounting consultation.

Audit-Related Fees. This category includes fees billed for services provided by Grant Thornton that were related to acquisitions that we pursued during the fiscal year ended January 31, 2010.

Tax Fees. This category consists of fees billed for professional tax services provided in the areas of compliance, research, advice 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. Occasionally, the Audit Committee Chairman pre-approves certain non-audit related fees and the entire Audit Committee ratifies the Chairman s pre-approval in a subsequent Audit Committee meeting in accordance with SEC requirements. For the fiscal year ended January 31, 2011, 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**

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AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors of the Company is composed of four independent directors. The Audit Committee adopted a written charter, a copy of which can be found on the Company website at www.arganinc.com. The Board of Directors has made a determination that the members of the Audit Committee satisfy the independence and other requirements of applicable NYSE Amex and SEC rules. 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 adopted by the Board of Directors of the Company in October 2003. The Audit Committee is responsible for, among other things, appointing, establishing the compensation for, supervising and, where appropriate, replacing the Company's independent 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 public accountants; and reviewing and discussing with Company management and the Company's indep