ARGAN INC
Form PRE 14A
May 04, 2007

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

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:
x Preliminary Proxy Statement
o**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o Definitive Proxy Statement
o Definitive Additional Materials
o 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):
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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Argan, Inc.
One Church Street, Suite 401
Rockville, Maryland 20850

May 3, 2007

To Our Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders of Argan, Inc. (the "Company"), to be held on June 19, 2007 at 11:00 a.m. local time, at the offices of Allen & Company LLC located at 711 Fifth Avenue, 9th Floor, New York, New York 10022. Enclosed are the Secretary's notice of this meeting, a proxy statement and a form of proxy.

At the Annual Meeting, you will be asked to consider and vote upon the following proposals described in the enclosed proxy statement:

1. To elect seven directors to serve for a term ending at the 2008 Annual Meeting;

2. To amend the Company's Certificate of Incorporation, as amended, to increase the number of authorized shares of the Company's Common Stock $0.15 par value per share (the "Common Stock"), from 12,000,000 to 30,000,000.

3. To amend the Company's 2001 Stock Option Plan to increase the total number of shares of Common Stock reserved for issuance under the Stock Option Plan to 650,000 shares;

4. To ratify the selection of Grant Thornton LLP as the Company's independent registered public accountants for the fiscal year ending January 31, 2008; and

5. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

As described in the enclosed materials, the Company's Board of Directors has approved the matters included in these proposals and believes that they are fair to, and in the best interests of, the Company and its stockholders. The Board of Directors recommends a vote "FOR" each of the proposals.

Regardless of whether you plan to attend the Annual Meeting, your vote is important. I urge you to participate by promptly completing and returning the enclosed proxy card as soon as possible. You may revoke your proxy and vote in person if you decide to attend the Annual Meeting.

Sincerely,

Rainer H. Bosselmann
Chairman of the Board

IF YOU PLAN TO ATTEND, PLEASE CONTACT US

If you plan to attend the Annual Meeting on June 19, 2007, as a courtesy to the building management at 711 Fifth Avenue, we request that you call, fax or email your intentions so that we can notify the front desk of your attendance. Please notify Arthur Trudel by phone at 301-315-0027, by fax at 301-315-0064, or by email at atrudeljr@arganinc.com.

Argan, Inc.
One Church Street, Suite 401
Rockville, Maryland 20850

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JUNE 19, 2007

To the Stockholders of Argan, Inc:

NOTICE IS HEREBY GIVEN that an Annual Meeting of Stockholders (the "Meeting") of Argan, Inc. (the "Company") will be held on June 19, 2007 at 11:00 a.m. local time, at the offices of Allen & Company LLC located at 711 Fifth Avenue, 9th Floor, New York, New York 10022, for the following purposes:

1. To elect seven directors to serve for a term ending at the 2008 Annual Meeting;

2. To amend the Company’s Certificate of Incorporation, as amended, to increase the number of authorized shares of the Company’s Common Stock $0.15 par value per share (the “Common Stock”), from 12,000,000 to 30,000,000.

3. To amend the Company’s 2001 Stock Option Plan to increase the total number of shares of Common Stock reserved for issuance under the Stock Option Plan to 650,000 shares;

4. To ratify the selection Grant Thornton LLP as the Company’s independent registered public accountants for the fiscal year ending January 31, 2008; and

5. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

Only holders of record of outstanding shares of Common Stock, $0.15 par value per share, of the Company at the close of business on May 7, 2007 will be entitled to notice of, and to vote at, the Meeting or any adjournment or postponement thereof.

By Order of the Board of Directors

Arthur F. Trudel, Jr.
Corporate Secretary

Rockville, Maryland
May 3, 2007

Your vote is important. To vote your shares, please mark, sign and date the enclosed proxy card and mail it promptly in the enclosed return envelope, which requires no postage if mailed in the United States.

Argan, Inc.
One Church Street, Suite 401
Rockville, Maryland 20850

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JUNE 19, 2007

Introduction

This Proxy Statement is being furnished to stockholders of Argan, Inc., a Delaware corporation (the "Company"), in connection with the solicitation of proxies by the Board of Directors of the Company for use at the Annual Meeting of Stockholders to be held on Tuesday, June 19, 2007 at 11:00 a.m. local time, at the offices of Allen & Company LLC located at 711 Fifth Avenue, 9th Floor, New York, New York 10022, and any adjournment or postponement thereof (the "Meeting").

At the Meeting, stockholders will be asked to consider and vote upon four proposals: (1) the election of seven directors to serve until the 2008 Annual Meeting (the "Election of Directors"); (2) the amendment of the Company’s Certificate of Incorporation to increase the number of authorized shares of Common Stock from 12,000,000 shares to 30,000,000 shares; (3) the amendment of our 2001 Stock Option Plan to increase shares of Common Stock reserved for issuance from 250,000 shares to 650,000 shares and (4) the ratification of the selection of the Company's independent registered public accountants (the "Ratification of Accountants").

This Proxy Statement is dated May 3, 2007 and is first being mailed to stockholders along with the related form of proxy on or about May 15, 2007.

If a proxy in the accompanying form is properly executed and returned to the Company in time for the 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 four proposals set forth above and otherwise in the discretion of the proxy holders as to any other matter that may come before the Meeting.

Revocability of Proxy

Any stockholder of the Company who has given a proxy, has the power to revoke such proxy at any time before it is voted either (i) by filing a written revocation or a duly executed proxy bearing a later date with Arthur F. Trudel, Jr., Corporate Secretary of the Company, at Argan, Inc., One Church Street, Suite 401, Rockville, Maryland 20850, or (ii) by appearing at the Meeting and voting in person. Attendance at the Meeting will not in and of itself constitute the revocation of a proxy. Voting by those present during the Meeting will be by ballot.

Record Date, Outstanding Securities and Votes Required

The Board of Directors of the Company has fixed the close of business on May 7, 2007 as the record date (the "Record Date") for determining holders of outstanding shares of Common Stock, $0.15 par value per share (the "Common Stock"), who are entitled to notice of and to vote at the Meeting. As of the Record Date, there were approximately 300 stockholders of record and 11,094,012 shares of Common Stock issued and outstanding. Each share of Common Stock is entitled to one vote on each of the proposals to be voted upon.

Abstentions and broker non-votes are counted for purposes of determining the number of shares represented at the Meeting, but are deemed not to have voted on the proposals. Broker non-votes occur when a broker nominee, holding shares in street name for the beneficial owner thereof, has not received voting instructions from the beneficial owner and does not have discretionary authority to vote. The Election of Directors, the proposed increase to the Stock Option Plan and the Ratification of Auditors require the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy and voting. The Amendment to the Certificate of Incorporation, which would increase the authorized number of shares of common stock, requires the affirmative vote of a majority of the outstanding shares of Common Stock. Accordingly, abstentions, broker non-votes or the failure to either return a proxy or to attend the meeting will be deemed (i) not to have voted on the Election of Directors, the proposed increase to the Stock Option Plan and the Ratification of Auditors, and (ii) as a vote against the amendment to the Certificate of Incorporation to increase the authorized number of outstanding shares.

The officers and directors of the Company will vote the shares of Common Stock beneficially owned or controlled by them (representing approximately 15% of the shares of Common Stock issued and outstanding) in favor of each of the proposals discussed above.

PROPOSAL NUMBER ONE

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 Meeting, stockholders of the Company are being asked to elect seven directors. Except for William F Leimkuhler, each of the nominees is currently a member of the Company’s Board of Directors. Mr. Kent Pugmire has decided not to stand for reelection to the Board of Directors.

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. The Board of Directors has no reason to believe that the nominees will decline or be unable to serve as Directors of the Company. 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.

Nominees for Election as Director

The following table sets forth the age and title of each nominee director, as well as descriptions of such person's additional business experience during the past five years.

Name	Age	Position
Rainer H. Bosselmann	64	Chairman of the Board, Chief Executive Officer and President
DeSoto S. Jordan	62	Director
William F. Leimkuhler	55	Director
Daniel A. Levinson	46	Director
W.G. Champion Mitchell	60	Director
James W. Quinn	49	Director
Peter L. Winslow	76	Director

Rainer H. Bosselmann. Mr. Bosselmann has been a Director and Chairman of the Board since May 2003 and President 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.

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 co-founder of Perot Systems Corporation and served as an officer from 1988 to 1999 and as a Director since February 2004. Mr. Jordan was a Director of Arguss from 1999 through 2002.

William F. Leimkuhler. Mr. Leimkuhler 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, 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), Integral Systems, Inc. (NASDAQ: ISYS) and U.S. Neurosurgical, Inc. (OTCBB: USNU) and also serves on the Board of a number of privately held companies.

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.

W.G. Champion Mitchell. Mr. Mitchell has been a Director of the Company since October 2003. Since January 2003, Mr. Mitchell has been Chairman of the Board and Chief Executive Officer of Network Solutions, Inc. Network Solutions 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. VeriSign is a provider of critical Internet infrastructure services. From May 1999 to March 2000, Mr. Mitchell was Chairman, President and CEO of Convergence Equipment Company, a telephony switch manufacturer. From February 1997 until May 1999, Mr. Mitchell was Chairman and Chief Executive Officer of Global Exchange Carrier Co., an Internet telephone networking company.

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, an investment banking firm. Since 1982, Mr. Quinn has served in various capacities at Allen & Company 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.

Peter L. Winslow. Mr. Winslow has been a Director of the Company since June 2003. Since 1992, Mr. Winslow has served in several executive capacities at Fin-Net LLC and its predecessor company Fin-Net, Inc., a financial networking company, where he currently serves as Chairman and Managing Director. Mr. Winslow was the founder and President of Winslow, Evans & Crocker, Inc., a brokerage and financial services company, and he served in several executive capacities between 1992 and 2004. Since March 2002, Mr. Winslow has been Managing Director of Family Capital Trust Company, N.A. Mr. Winslow was also a Director of Jupiter National from 1991 to 1996. Mr. Winslow served as a Director of Arguss from 1996 through 2002.

Directors' Compensation

Each non-employee director of the Company receives a $2,500 annual fee, plus $300 for each formal meeting attended. Directors are also 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 grants of stock options for shares of the Company’s common stock.

The following table summarizes the fees paid to non-employee directors for their attendance at each committee meeting:

DIRECTOR COMPENSATION
for the year ended January 31, 2007

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)	Total
Peter Winslow	$ 7,300	$ 14,200	$ 21,500
James Quinn	$ 7,300	$ 14,200	$ 21,500
DeSoto Jordan	$ 7,300	$ 14,200	$ 21,500
T. Kent Pugmire	$ 4,600	$ 14,200	$ 18,800
Dan Levinson	$ 4,300	$ 14,200	$ 18,500
Champion Mitchell	$ 4,300	$ 14,200	$ 18,500

Executive Officers who are Not Directors

The following table sets forth the age and title of each executive officer of the Company who is not a nominee director, as well as descriptions of such person's additional business experience during the past five years.

Name	Age	Position
Arthur F. Trudel	57	Senior Vice President and Chief Financial Officer

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

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires the Company's directors and executive officers and persons who beneficially own more than 10% of the Company's common stock (collectively, the "Reporting Persons") to file with the Commission (and, if such security is listed on a national securities exchange, with such exchange), various reports as to ownership of such common stock. Based solely upon a review of copies of Section 16(a) reports and representations received by the Company from Reporting Persons, and without conducting any independent investigations of its own, the Company believes that the following Reporting Persons failed to timely file Forms 3, 4 or 5 with the Commission during the fiscal year ended January 31, 2007. Mr. Kevin Thomas and Mr. Trudel were each late with one filing, Mr. Levinson was late with two filings.

COMPENSATION DISCUSSION AND ANALYSIS

This section provides an overview and analysis of our compensation programs and policies, including a discussion of the material compensation decisions made under the programs and policies with respect to our top executive officers, and the material factors considered in making those decisions. It is intended to provide context for the detailed information provided under the heading “Executive Compensation” regarding compensation earned or paid in fiscal year 2007 to the following individuals, whom we refer to as our named executive officers:

- Rainer H. Bosselmann, our Chairman of the Board, Chief Executive Officer and President,

· Arthur F. Trudel, our Senior Vice President and Chief Financial Officer.

Principles Underlying our Compensation Program

Our goal in compensating executive officers is to attract, motivate, reward and retain executives of superior ability who are dedicated to the long-term financial interests of our stockholders. To achieve this goal, our executive compensation programs are organized around the following fundamental principles:

A significant portion of executive officer compensation should be performance-based and reward a balance of short and long-term stockholder value creation. We seek to provide our executive officers with incentives for superior performance over multiple time-frames using a combination of: *annual incentives* that measure performance relative to short-term operational and strategic objectives; and periodic equity grants that align executive officers' interests with long-term stockholder value and stock price appreciation.

Pay at risk should align with an executive officer's impact on Company performance. We seek to leverage the performance-based elements of an executive officer's compensation proportionally with his or her ability to impact the Company's performance over short-and long-term periods. Our chief executive officer has the largest portion of his total annual compensation delivered through base salary and cash bonus, however, he has substantial warrants and stock options to align him with long-term shareholder interests.

Compensation opportunities should be competitive with the marketplace. We target total compensation opportunities for our executive officers to be competitive with opportunities for similar positions at similar size companies.

Our compensation should remain flexible enough to allow for the exercise of discretion where appropriate. Our total compensation approach is not intended to be formulaic or rigid in structure. Each element of annual compensation (other than base salary) is designed to be variable based on quantitative and/or qualitative performance criteria. We regularly review our overall compensation programs and maintain flexibility to make changes in the future as appropriate. On an individual basis, we also reserve discretion to increase individual compensation or to adjust the mix of pay elements as appropriate. This flexibility allows us to effectively manage, over time, the performance of our executive officers, market competitiveness of our compensation programs, issues of internal pay equity and retention of key talent.

Role of the Compensation Committee

The Compensation Committee of our Board of Directors carries out the board's responsibilities with respect to reviewing and approving the compensation for our executive officers, overseeing the development of executive succession plans, and administering our executive compensation programs.

We seek an open relationship between the Compensation Committee and management concerning compensation matters. As a function of this relationship, the Compensation Committee consults management for analysis, details and recommendations with respect to compensation program design and compensation decisions for executives. The Compensation Committee reviews and analyzes compensation information from management and compares the information to Companies of similar size. We believe that this collaborative approach produces a more informed decision-making process and assures an objective perspective in this important governance matter.

The Compensation Committee retains the final authority to approve all of the programs under which compensation is paid or awarded to our executive officers. In determining the amount of compensation for individual executive officers, the Compensation Committee relies upon its judgment about each individual, factors surrounding each individual's role and performance, and upon compensation recommendations for each of the executive officers. For additional information regarding the Compensation Committee, see page 14 of this proxy statement.

Factors Considered in Making Compensation Decisions

Key factors affecting compensation decisions for our executive officers include the nature and scope of the executive officer's responsibilities, contribution to financial results, effectiveness in leading initiatives to increase growth, shareholder value, profitability, productivity, effective capital deployment and competitiveness. Also considered when evaluating performance are the executive officer's commitment to corporate responsibility and creating a culture of integrity.

We also consider the compensation and benefit levels by comparison to companies of similar size that are most likely to compete for the services of executive officers. This benchmarking is an input into the compensation decision-making process that helps gauge market competitiveness, but it does not weigh any greater than other considerations noted above when making compensation decisions.

Elements of our Executive Officer Compensation Structure

Periodic analysis of the design of our compensation programs allows us to maintain reasonable and competitive total compensation opportunities for each executive officer. In fiscal year 2007, we conducted a review of all elements of our executive officer compensation programs. As a result of this program review, we adjusted the base salaries of each of our executive officers and additionally, our executive officers were awarded stock options during fiscal year 2007.

The following is a description of the various elements of our total executive officer compensation structure and the purpose of each element.

- **Base Salary**. Base salary compensates executives for day-to-day responsibilities and sustained performance; consistently effective individual performance is a threshold requirement for any salary increase.

- **Bonus.** Bonuses are typically paid based upon the Company's performance from operations and/or accomplishing certain strategic goals such as the acquisition of a strategically significant new business.

The Compensation Committee retains the final authority to evaluate and determine performance relative to the individual and corporate financial goals for annual incentives. In evaluating corporate performance, the Compensation Committee may make adjustments for the impact of unusual or non-recurring items including, but not limited to accounting pronouncements and restructuring charges.

This discretion enables us to establish goals that align our executive officers with the Company's annual operating performance, while at the same time ensuring that unforeseen factors do not inappropriately impact the measurement of performance. Actual bonuses paid to executive officers are approved by the Compensation Committee and ratified by the Board of Directors.

Long-Term Performance: Equity Grants

During fiscal year 2007, the Compensation Committee approved and the Board of Directors ratified equity grants to our executive officers. The Compensation Committee periodically grants stock options to align our executive officers' personal financial interest with the long-term interests of our stockholders.

Fiscal Year 2007 Compensation for Named Executive Officers.

The following describes actions taken in fiscal year 2007 as it relates to named executive officer compensation and the information provided in the summary compensation table below.

Base Salary. During fiscal year 2007, the Compensation Committee approved and the Board of Directors ratified base salary increases of $50,000 for each of our named executive officers. These changes were based primarily on sustained individual performance, market levels of compensation for comparable jobs, changes in job scope and responsibilities of our named executive officers over time. The above factors plus the fact that our named executive officers respective base salaries were considerably below base salaries paid to comparable executive officers at similar sized public companies.

Bonus.