ARGAN INC
Form 10-Q
December 09, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended October 31, 2010

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT**

For the Transition Period from __________ to __________

Commission File Number 001-31756

Argan, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**13-1947195**
(State or Other Jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)

One Church Street, Suite 201, Rockville, Maryland 20850

(Address of Principal Executive Offices) (Zip Code)

(301) 315-0027

(Registrant s Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year,
if Changed since Last Report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Indicate the number of shares outstanding of each of the Registrant s classes of common stock, as of the latest practicable date.

Common Stock, $0.15 par value, 13,596,494 shares at December 3, 2010.

ARGAN, INC. AND SUBSIDIARIES
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ARGAN, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	October 31, 2010 (Unaudited)	January 31, 2010 (Note 1)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 76,420,000	$ 66,009,000
Restricted cash	1,620,000	5,002,000
Accounts receivable, net of allowance for doubtful accounts	22,684,000	4,979,000
Costs and estimated earnings in excess of billings	4,902,000	12,931,000
Inventories, net of reserve for obsolescence	1,130,000	2,010,000
Current deferred tax assets	2,223,000	1,603,000
Prepaid expenses and other current assets	683,000	2,697,000
TOTAL CURRENT ASSETS	109,662,000	95,231,000
Property and equipment, net of accumulated depreciation	1,596,000	1,540,000
Goodwill	18,476,000	18,476,000
Intangible assets, net of accumulated amortization	2,996,000	3,258,000
Deferred tax assets	1,506,000	1,628,000
Other assets	59,000	140,000
TOTAL ASSETS	$ 134,295,000	$ 120,273,000
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 12,672,000	$ 17,906,000
Accrued expenses	9,700,000	10,254,000
Billings in excess of costs and estimated earnings	15,112,000	1,874,000
Current portion of long-term debt	333,000	1,833,000
TOTAL CURRENT LIABILITIES	37,817,000	31,867,000
Other liabilities	33,000	38,000
TOTAL LIABILITIES	37,850,000	31,905,000
COMMITMENTS AND CONTINGENCIES (Note 12)		
STOCKHOLDERS EQUITY		
Preferred stock, par value $0.10 per share; 500,000 shares authorized; no shares issued and outstanding		
Common stock, par value $0.15 per share; 30,000,000 shares authorized; 13,599,727 and 13,585,727 shares issued at 10/31/10 and 1/31/10, and 13,596,494 and 13,582,494 shares outstanding at 10/31/10 and 1/31/10, respectively	2,040,000	2,038,000
Warrants outstanding	601,000	613,000

Additional paid-in capital	88,276,000	87,048,000
Retained earnings (deficit)	5,561,000	(1,298,000)
Treasury stock, at cost; 3,233 shares at 10/31/10 and 1/31/10	(33,000)	(33,000)
TOTAL STOCKHOLDERS EQUITY	96,445,000	88,368,000
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 134,295,000	$ 120,273,000

The accompanying notes are an integral part of the condensed consolidated financial statements.

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ARGAN, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended October 31, 2010	Three Months Ended October 31, 2009	Nine Months Ended October 31, 2010	Nine Months Ended October 31, 2009
Net revenues				
Power industry services	$ 42,706,000	$ 54,164,000	$ 144,475,000	$ 172,003,000
Nutritional products	2,931,000	4,266,000	7,817,000	10,536,000
Telecommunications infrastructure services	2,523,000	2,237,000	6,308,000	6,693,000
Net revenues	48,160,000	60,667,000	158,600,000	189,232,000
Cost of revenues				
Power industry services	35,999,000	48,378,000	122,568,000	153,465,000
Nutritional products	3,139,000	3,715,000	8,213,000	9,435,000
Telecommunications infrastructure services	1,850,000	1,727,000	5,281,000	5,102,000
Cost of revenues	40,988,000	53,820,000	136,062,000	168,002,000
Gross profit	7,172,000	6,847,000	22,538,000	21,230,000
Selling, general and administrative expenses	4,346,000	4,015,000	11,285,000	10,417,000
Income from operations	2,826,000	2,832,000	11,253,000	10,813,000
Interest expense	(7,000)	(41,000)	(32,000)	(155,000)
Investment income	29,000	15,000	61,000	89,000
Equity in the earnings of the unconsolidated subsidiary		325,000		1,343,000
Income before income taxes	2,848,000	3,131,000	11,282,000	12,090,000
Income tax expense	1,313,000	1,167,000	4,423,000	4,475,000
Net income	$ 1,535,000	$ 1,964,000	$ 6,859,000	$ 7,615,000
Earnings per share:				
Basic	$ 0.11	$ 0.14	$ 0.50	$ 0.56
Diluted	$ 0.11	$ 0.14	$ 0.50	$ 0.55
Weighted average number of shares outstanding:				
Basic	13,596,000	13,579,000	13,591,000	13,506,000

Diluted	13,669,000	13,763,000	13,714,000	13,765,000

The accompanying notes are an integral part of the condensed consolidated financial statements.

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ARGAN, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended October 31, 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 6,859,000	$ 7,615,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Deferred income tax benefit	(498,000)	(287,000)
Stock option compensation expense	1,112,000	864,000
Amortization of purchased intangibles	262,000	267,000
Depreciation and other amortization	508,000	459,000
Equity in the earnings of the unconsolidated subsidiary		(1,343,000)
Other	504,000	35,000
Changes in operating assets and liabilities:		
Restricted cash	3,382,000	4,998,000
Accounts receivable	(17,851,000)	8,875,000
Costs and estimated earnings in excess of billings	8,029,000	(22,797,000)
Inventories	511,000	(1,176,000)
Prepaid expenses and other assets	2,018,000	85,000
Accounts payable and accrued expenses	(5,785,000)	(14,000,000)
Billings in excess of costs and estimated earnings	13,238,000	(4,101,000)
Other	(5,000)	9,000
Net cash provided by (used in) operating activities	12,284,000	(20,497,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(488,000)	(172,000)
Proceeds from sale of property and equipment	12,000	55,000
Net cash used in investing activities	(476,000)	(117,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from the exercise of stock options and warrants	103,000	737,000
Principal payments on long-term debt	(1,500,000)	(1,801,000)
Net cash used in financing activities	(1,397,000)	(1,064,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,411,000	(21,678,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	66,009,000	74,666,000
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 76,420,000	$ 52,988,000

SUPPLEMENTAL CASH FLOW INFORMATION:
Cash paid for interest and income taxes:

Interest	$	32,000	$	155,000
Income taxes	$	1,275,000	$	6,701,000

The accompanying notes are an integral part of the condensed consolidated financial statements.

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ARGAN, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2010
(Unaudited)

NOTE 1 DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION

Description of the Business

Argan, Inc. (Argan) conducts its operations through its wholly owned subsidiaries, Gemma Power Systems, LLC and affiliates (GPS) which provide the substantial portion of consolidated net revenues, Vitarich Laboratories, Inc. (VLI) and Southern Maryland Cable, Inc. (SMC). Argan and its consolidated wholly owned subsidiaries are hereinafter referred to as the Company. Through GPS, the Company provides a full range of engineering, procurement, construction, commissioning, maintenance and consulting services to the power generation and renewable energy markets for a wide range of customers including public utilities and independent power project owners. Through VLI, the Company develops and manufactures premium nutritional supplements, whole-food dietary supplements and personal care products. Through SMC and in the Mid-Atlantic region primarily, the Company provides telecommunications infrastructure services including project management, construction, installation and maintenance to commercial, local government and federal government customers. Each of the wholly-owned subsidiaries represents a separate reportable segment.

In June 2008, GPS entered into a business partnership with a renewable energy company for the design and construction of wind-energy farms. Originally, the partners each owned 50% of the company, Gemma Renewable Power, LLC (GRP). In December 2009, the Company acquired its former partner s ownership and GRP became a wholly-owned subsidiary of GPS (see Note 6).

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Argan and its wholly owned subsidiaries. The Company s fiscal year ends on January 31. All significant inter-company balances and transactions have been eliminated in consolidation. The Company evaluated subsequent events for adjustment to or disclosure in these condensed consolidated financial statements through the date of their issuance.

The condensed consolidated balance sheet as of October 31, 2010, the condensed consolidated statements of operations for the three and nine months ended October 31, 2010 and 2009, and the condensed consolidated statements of cash flows for the nine months ended October 31, 2010 and 2009 are unaudited. The condensed consolidated balance sheet as of January 31, 2010 has been derived from audited financial statements. In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, which are of a normal and recurring nature, considered necessary to present fairly the financial position of the Company as of October 31, 2010 and the results of its operations and its cash flows for the interim periods presented. The results of operations for any interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

These condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. The accompanying condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements, the notes thereto (including the summary of significant accounting policies), and the independent registered public accounting firm s report thereon that are included in the Company s Annual Report on Form 10-K filed with the SEC for the fiscal year ended January 31, 2010 on April 14, 2010.

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Codification of Generally Accepted Accounting Principles in the United States of America (US GAAP)

On June 30, 2009, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (SFAS No. 168) in order to establish the *FASB Accounting Standards Codification* (the Codification or ASC), which officially launched July 1, 2009, as the sole source of authoritative generally accepted accounting principles in the United States of America for nongovernmental entities, except for guidance issued by the SEC. SFAS No. 168, which was primarily codified into ASC Topic 105, *Generally Accepted Accounting Standards*, replaced the four-tiered US GAAP hierarchy described in SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, with a two-level hierarchy consisting only of authoritative and non-authoritative guidance. The Codification superseded all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification became non-authoritative. As the Company adopted SFAS No. 168 last year, all relevant references to authoritative literature reflect the newly adopted Codification.

New Accounting Standards

1) In January 2010, the FASB issued Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures*, which provides amendments to ASC 820-10 (*Fair Value Measurements and Disclosures Overall Subtopic*) of the Codification (the Fair Value Update). The Fair Value Update requires improved disclosures about fair value measurements. Separate disclosures are required of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements along with description of the reasons for the transfers. Disclosure of activity in Level 3 fair value measurements is required to be made on a gross basis rather than as one net number. The Fair Value Update also requires: (1) fair value measurement disclosures for each class of assets and liabilities, and (2) disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements, which are required for fair value measurements that fall into either Level 2 or Level 3.

   Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. Current accounting guidance prescribes a fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of input to determine fair value. Level 1 inputs include quoted market prices in an active market or the price of an identical asset or liability. Level 2 inputs are market data other than Level 1 inputs that are observable either directly or indirectly including quoted market prices for similar assets or liabilities, quoted market prices in an inactive market, and other observable information that can be corroborated by market data. Level 3 inputs are unobservable and corroborated by little or no market data.

   The new disclosures and clarifications of existing disclosures required by the Fair Value Update became effective for the Company s interim and annual reporting periods beginning February 1, 2010, except for the Level 3 activity disclosures, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Because these are enhanced disclosure requirements, there has been no impact on the Company s results of operations or financial position. In addition, the enhanced disclosure requirements have not materially affected the Company s financial reporting.

2) In July 2010, the FASB issued Accounting Standards Update No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, which requires enhanced disclosures about credit risk exposure in financial statements issued by public entities on or after December 15, 2010 (the Credit Risk Update). The Company s accounts receivable substantially consist of trade receivables with short payment terms which are specifically excluded from the definition of financing receivables. Accordingly, the disclosure requirements of the Credit Risk Update are not expected to affect the Company s consolidated financial statements.

NOTE 2 CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The Company holds cash on deposit at Bank of America (the Bank) in excess of federally insured limits. Management currently does not believe that the risk associated with keeping deposits in excess of federal deposit limits represents a material risk. The carrying value amounts of the Company s cash, cash equivalents and restricted cash are reasonable estimates of the fair values of these assets due to their short-term nature.

Pursuant to the requirements of an amended and restated engineering, procurement and construction contract executed in May 2010, GPS established a separate bank account which is used to pay the costs defined as reimbursable costs that are incurred on the related construction project and to receive cost reimbursement payments from the project owner. The amount of cash restricted for such purpose was approximately $1.6 million at October 31, 2010.

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Pursuant to the agreement covering the acquisition of GPS, the Company maintained $5.0 million in an escrow account with the Bank which secured a letter of credit that was issued in support of a bonding commitment. In June 2010, the letter of credit was terminated as the bonding company eliminated the requirement. Accordingly, approximately $5.0 million was released from the escrow account during the second quarter.

For certain construction projects, cash may be held in escrow as a substitute for retentions. However, no amount of cash related to construction projects was held in escrow as of October 31, 2010 or January 31, 2010.

NOTE 3 ACCOUNTS RECEIVABLE; COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS

Both accounts receivable and costs and estimated earnings in excess of billings represent amounts due from customers for services rendered or products delivered. The timing of billings to customers under construction-type contracts varies based on individual contracts and often differs from the periods in which net revenues are recognized. The amount of costs and estimated earnings in excess of billings at October 31, 2010 was approximately $4.9 million; this amount is expected to be billed and collected in the normal course of business. The comparable amount of costs and estimated earnings in excess of billings at January 31, 2010 was $12.9 million. Certain amounts included in accounts receivable represent funds retained by a construction customer until a defined phase of a contract or project has been completed by the Company and accepted by the customer. The amounts of such funds included in accounts receivable at October 31, 2010 and January 31, 2010 were approximately $2,644,000 and $260,000, respectively. The lengths of retention periods may vary, but they typically range between nine months and two years.

The Company conducts business with and may extend credit to a customer based on an evaluation of the customer s financial condition, generally without requiring collateral. Exposure to losses on accounts receivable is expected to differ by customer due to the varying financial condition of each customer. The Company monitors its exposure to credit losses and maintains an allowance for anticipated losses considered necessary under the circumstances based on historical experience with uncollected accounts and a review of its currently outstanding accounts receivable. The allowance for doubtful accounts at October 31, 2010 and January 31, 2010 totaled $5.9 million and $5.8 million, respectively. Last year, a substantial portion of the accounts receivable from the owner of a partially completed construction project was written down against the allowance, without any effect on the statement of operations for the prior year, to $5.5 million, the amount of the net proceeds remaining from a public auction of the facility. As the amount that the Company may ultimately receive in a distribution of the auction proceeds, if any, is not known at this time, the remaining account receivable amount was fully reserved in the allowance for doubtful accounts at October 31, 2010 and January 31, 2010.

The amounts of the provision for accounts receivable losses were $42,000 and $30,000 for the three months ended October 31, 2010 and 2009, respectively, and were $146,000 and $155,000 for the nine months ended October 31, 2010 and 2009, respectively.

NOTE 4 INVENTORIES

Inventories are stated at the lower of cost or market (i.e., net realizable value). Cost is determined on the first-in first-out (FIFO) method and includes material, labor and overhead costs. Fixed overhead is allocated to inventory based on the normal capacity of the Company s production facilities. Any costs related to idle facilities, excess spoilage, excessive freight charges or re-handling costs are expensed currently as period costs. Appropriate consideration is given to obsolescence, excessive inventory levels, product deterioration and other factors in evaluating net realizable value.

In connection with the production of products pursuant to customer purchase orders received by VLI, the Company consumes small quantities of a certain raw material, the cost of which is fully reserved. Accordingly, the Company reversed a portion of its reserve for overstocked and obsolete inventory related to this item that reduced the cost of revenues of VLI by $33,000 and $166,000, respectively, for the three and nine months ended October 31, 2009. For the three and nine months ended October 31, 2010, the amounts of such reserve reversals related to consumption were $7,000 and $48,000, respectively. The Company will continue to monitor the status of customer relationships covering this raw material, including the volume of actual and expected purchase orders, and may reverse additional reserve amounts in future quarters as quantities of the raw material are consumed in production or the probability of significant future customer orders materializes. The amount of inventory reserve related to this raw material at October 31, 2010 was approximately $1.1 million.

Excluding the effects of the reserve reversals described in the preceding paragraph, the amounts expensed for obsolescence during the three and nine months ended October 31, 2010 were approximately $292,000 and $416,000, respectively, and the amounts expensed for inventory obsolescence during the three and nine months ended October 31, 2009 were approximately $37,000 and $96,000, respectively.

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Inventories consisted of the following amounts at October 31, 2010 and January 31, 2010:

	October 31, 2010	January 31, 2010
Raw materials	$ 2,981,000	$ 3,586,000
Work-in process	15,000	54,000
Finished goods	269,000	270,000
	3,265,000	3,910,000
Less: reserves	(2,135,000)	(1,900,000)
Inventories, net	$ 1,130,000	$ 2,010,000

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment amounts are stated at cost. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, which are generally from five to twenty years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the related asset or the lease term, whichever is shorter. Depreciation expense amounts for property and equipment were $133,000 and $127,000 for the three months ended October 31, 2010 and 2009, respectively, and were $431,000 and $350,000 for the nine months ended October 31, 2010 and 2009, respectively.

The costs of maintenance and repairs, which totaled $161,000 and $157,000 for the three months ended October 31, 2010 and 2009, respectively, and $529,000 and $439,000 for the nine months ended October 31, 2010 and 2009, respectively, are expensed as incurred. Major improvements are capitalized. When an asset is sold or retired, the amounts of the associated cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in income. The Company recorded an impairment loss related to the fixed assets of VLI in the year ended January 31, 2009. Since then, the costs of fixed asset purchases at VLI have been expensed. Such costs amounted to $10,000 and $159,000 for the three months ended October 31, 2010 and 2009, respectively, and $51,000 and $249,000 for the nine months ended October 31, 2010 and 2009, respectively.

Property and equipment at October 31, 2010 and January 31, 2010 consisted of the following:

	October 31, 2010	January 31, 2010
Leasehold improvements	$ 806,000	$ 806,000
Machinery and equipment	3,442,000	2,990,000
Trucks and other vehicles	1,737,000	1,769,000
	5,985,000	5,565,000
Less accumulated depreciation	(4,389,000)	(4,025,000)
Property and equipment, net	$ 1,596,000	$ 1,540,000

The Company also uses equipment and occupies facilities under non-cancelable operating leases and other rental agreements. It incurred total rent expense in the amounts of $1.6 million and $1.9 million for the three months ended October 31, 2010 and 2009, respectively, and $5.6 million and $4.6 million for the nine months ended October 31, 2010 and 2009, respectively.

NOTE 6 ACQUISITION OF GEMMA RENEWABLE POWER, LLC

In June 2008, GPS entered into a business partnership with a firm that develops and operates wind-energy farms for the purpose of designing and constructing such power-generation facilities. The business partners each owned 50% of the company, GRP.

On December 17, 2009, the Company acquired the other 50% ownership interest in GRP. The acquisition was completed pursuant to the terms and conditions of a purchase and sale agreement (the Purchase Agreement), and GRP became a wholly-owned subsidiary of GPS. The purchase price was $3,183,000, a portion of which in the amount of $1,583,000 was paid in January 2010 upon the award to GRP by the developer of an initial construction project. The remaining portion of the purchase price was included in accrued liabilities at October 31, 2010 and January 31, 2010. This amount is to become due upon the satisfaction of certain conditions related to the award to GRP of a second wind farm construction project as set forth in the Purchase Agreement.

Subsequent to the end of the current quarter, GRP signed a contract for the design and construction of a 200 megawatt wind energy project in Henry County, Illinois, including the installation of up to one hundred thirty-four (134) wind turbines with a planned completion date of late 2011. As a result and pursuant to the terms of the Purchase Agreement, the Company expects that this award will lead to the payment of the remaining portion of the purchase price.

The following unaudited consolidated pro forma information assumes that the acquisition had occurred on June 3, 2008, the formation date of GRP. The unaudited consolidated pro forma information, as presented below, is not indicative of the results that would have been obtained had the transaction occurred on June 3, 2008, nor is it indicative of the Company s future results.

	Three Months Ended October 31, 2009	Nine Months Ended October 31, 2009
Pro forma consolidated net revenues	$ 72,001,000	$ 219,545,000
Pro forma consolidated net income	$ 2,178,000	$ 8,501,000
Pro forma net income per share:		
Basic	$ 0.16	$ 0.63
Diluted	$ 0.16	$ 0.62

The Company s share of the earnings of GRP was approximately $325,000 and $1,343,000 for the three and nine months ended October 31, 2009, respectively.

Under an agreement between the parties, GPS provided support to GRP, including certain administrative and accounting services. The total amounts of reimbursable costs incurred by GPS for these services in the three and nine months ended October 31, 2009 were approximately $309,000 and $894,000, respectively.

NOTE 7 INTANGIBLE ASSETS

In connection with the acquisitions of GPS, VLI and SMC, the Company recorded substantial amounts of goodwill and other purchased intangible assets including contractual and other customer relationships, non-compete agreements and trade names. The Company s intangible assets consisted of the following amounts at October 31, 2010 and January 31, 2010:

	October 31, 2010				January 31, 2010
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Amount	Net Amount
Intangible assets being amortized:					
Non-compete agreements GPS	5 years	$ 534,000	$ 416,000	$ 118,000	$ 198,000
Trade name GPS	15 years	3,643,000	946,000	2,697,000	2,879,000
Intangible asset not being amortized:					
Trade name SMC	Indefinite	181,000		181,000	181,000
Total intangible assets		$ 4,358,000	$ 1,362,000	$ 2,996,000	$ 3,258,000
Goodwill	Indefinite	$ 18,476,000	$	$ 18,476,000	$ 18,476,000

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