

GORMAN RUPP CO
Form PRE 14A
March 09, 2007

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

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

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

THE GORMAN-RUPP COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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No fee required.

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THE GORMAN-RUPP COMPANY

Mansfield, Ohio

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of the shareholders of The Gorman-Rupp Company will be held at the Company's Training Center, 270 West 6th Street, Mansfield, Ohio, on Thursday, April 26, 2007 at 10:00 a.m., Eastern Daylight Time, for the purpose of considering and acting upon:

1. A proposal to fix the number of Directors of the Company at eight and to elect eight Directors to hold office until the next annual meeting of shareholders and until their successors are elected and qualified;
2. A proposal to amend the Company's Amended Articles of Incorporation to increase, from 14,000,000 to 35,000,000, the number of Common Shares, without par value, that the Company is authorized to issue;
3. A proposal to ratify the appointment of Ernst & Young LLP as independent public accountants for the Company during the year ending December 31, 2007; and
4. Such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Holders of Common Shares of record at the close of business on March 14, 2007 are the only shareholders entitled to notice of and to vote at the Meeting.

Please promptly execute the enclosed proxy and return it in the enclosed envelope (which requires no postage if mailed in the United States), regardless of whether you plan to attend the Meeting.

By Order of the Board of Directors

David P. Emmens

Corporate Secretary

March 29, 2007

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PROXY STATEMENT

March 29, 2007

SOLICITATION AND REVOCATION OF PROXIES

This Proxy Statement is furnished to shareholders of The Gorman-Rupp Company in connection with the solicitation by the Board of Directors of the Company of proxies for use at the Annual Meeting of the shareholders to be held at the Company's Training Center, 270 West 6th Street, Mansfield, Ohio, at 10:00 a.m., Eastern Daylight Time, on Thursday, April 26, 2007. Holders of Common Shares of record at the close of business on March 14, 2007 are the only shareholders entitled to notice of and to vote at the Meeting.

A shareholder, without affecting any vote previously taken, may revoke his proxy by the execution and delivery to the Company of a later proxy with respect to the same shares, or by giving notice to the Company in writing or in open meeting. The presence at the Meeting of the person appointing a proxy does not in and of itself revoke the appointment.

OUTSTANDING SHARES AND VOTING RIGHTS

As of March 14, 2007, the record date for the determination of persons entitled to vote at the Meeting, there were 13,360,004 Common Shares outstanding. Each Common Share is entitled to one vote.

The mailing address of the principal executive offices of the Company is 305 Bowman Street, Mansfield, Ohio 44903. This Proxy Statement and accompanying proxy are being mailed to shareholders on or about March 29, 2007.

If notice in writing is given by any shareholder to the President, a Vice President or the Secretary of the Company, not less than 48 hours before the time fixed for the holding of the Meeting, that such shareholder desires that the voting for the election of Directors be cumulative, and if announcement of the giving of such notice is made upon the convening of the Meeting by the Chairman or Secretary or by or on behalf of the shareholder giving such notice, each shareholder shall have the right to cumulate such voting power as he possesses at such election. Under cumulative voting, a shareholder controls voting power equal to the number of votes which he otherwise would have been entitled to cast multiplied by the number of Directors to be elected. All of such votes may be cast for a single nominee or may be distributed among any two or more nominees as he may desire. If cumulative voting is invoked, and unless contrary instructions are given by a shareholder who signs a proxy, all votes represented by such proxy will be divided evenly among the candidates nominated by the Board of Directors, except that if so voting should for any reason not be effective to elect all of the nominees

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named in this Proxy Statement, then such votes will be cast so as to maximize the number of the Board of Directors nominees elected to the Board.

ELECTION OF DIRECTORS**(Proposal No. 1)**

All Directors will be elected to hold office until the next annual meeting of shareholders and until their successors are elected and qualified. Proxies received are intended to be voted in favor of fixing the number of Directors at eight and for the election of the nominees named below. Each of the nominees is presently a Director of the Company.

Mr. Jeffrey S. Gorman is the son of Mr. James C. Gorman, and Mr. Christopher H. Lake is the son of Dr. Peter B. Lake.

In the event that any of the nominees should become unavailable, which the Board of Directors does not anticipate, proxies are intended to be voted in favor of fixing the number of Directors at a lesser number or for a substitute nominee or nominees designated by the Board of Directors, in the discretion of the persons appointed as proxy holders. The proxies may be voted cumulatively for less than the entire number of nominees if any situation arises which, in the opinion of the proxy holders, makes such action necessary or desirable.

Based upon information received from the respective nominees as of February 1, 2007, the following information is furnished with respect to each person nominated for election as a Director.

Name, Age and Principal Occupation(1)	Director Continuously Since	Shares Owned Beneficially at Feb. 1, 2007(2)	Percent of Outstanding Shares
James C. Gorman Chairman of the Company. Age: 82	1946	1,062,774(3)	7.95%
Jeffrey S. Gorman President and Chief Executive Officer of the Company; General Manager of the Company's Mansfield Division (until January 1, 2006). Age: 54	1989	699,526(4)	5.24%

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Name, Age and Principal Occupation(1)	Director Continuously Since	Shares Owned Beneficially at Feb. 1, 2007(2)	Percent of Outstanding Shares
Thomas E. Hoaglin Chairman, President, Chief Executive Officer and Director; Huntington Bancshares, Inc. (NASDAQ); Columbus, Ohio(5). Age: 57	1993(6)	11,015(7)	*
Christopher H. Lake President and Chief Operating Officer (President, December 2005- December 2006), (Vice President, July- December 2005); SRI Quality System Registrar; Wexford, Pennsylvania. President; Dean & Lake Consulting, Inc.; Powder Springs, Georgia (2001-2005). Age: 42	2000	24,715(8)	*
Dr. Peter B. Lake Chairman and Chief Executive Officer (President until January 1, 2006); SRI Quality System Registrar; Wexford, Pennsylvania. Age: 64	1975	14,774(9)	*
Rick R. Taylor President; Jay Industries (automotive parts manufacturer); President; Longview Steel Corp. (steel wholesaler); Mansfield, Ohio. Director; Park National Corporation (AMEX). Age: 59	2003	3,593	*

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Name, Age and Principal Occupation(1)	Director Continuously Since	Shares Owned Beneficially at Feb. 1, 2007(2)	Percent of Outstanding Shares
W. Wayne Walston Partner (January 1, 2007); Miner Lemon & Walston, LLP (attorneys); Warsaw, Indiana. Owner; Walston Elder Law Office (attorneys); Warsaw, Indiana (July 1, 2003 January 1, 2007). Managing Partner; Valentine, Miner & Lemon, LLP (attorneys); Warsaw, Indiana (2002-2003). Age: 64	1999	7,267(10)	*
John A. Walter Retired May 1, 1998. Formerly President (beginning 1989) and Chief Executive Officer (beginning 1996) of the Company. Chief Operating Officer (1993-1996). Age: 73	1989	8,233(11)	*

* Represents less than 1% of the outstanding shares.

- (1) Except as otherwise indicated, there has been no change in occupation during the past five years.
- (2) Reported in accordance with the beneficial ownership rules of the Securities and Exchange Commission under which a person is deemed to be the beneficial owner of a security if he has or shares voting power or investment power in respect of such security. Accordingly, the amounts shown in the table do not purport to represent beneficial ownership for any purpose other than compliance with the Commission's reporting requirements. Voting power or investment power with respect to shares reflected in the table are not shared with others except as otherwise indicated.
- (3) Includes 452,491 shares owned by Mr. Gorman's wife and 85,112 shares held in a trust of which Mr. Gorman is a co-trustee. Mr. Gorman has a beneficial interest in 85,112 of the shares held in the trust, considers that he shares the voting and investment power with respect to all of the foregoing shares, but otherwise disclaims any beneficial interest therein. The amount shown in the table excludes 1,444,947 shares beneficially owned by members of Mr. Gorman's immediate family

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and 360,766 shares held in trusts of which he and members of his family have beneficial interests. (85,112 of the shares held in trust are the same shares described above.) Mr. Gorman disclaims beneficial ownership of all of the shares referred to in this note (3).

- (4) Includes 56,990 shares owned by Mr. Gorman's wife and 175,218 shares owned by his minor children. Mr. Gorman considers that he shares the voting and investment power with respect to all of the foregoing shares, but otherwise disclaims any beneficial interest therein. The amount shown in the table excludes 59,813 shares held in a trust in which Mr. Gorman has a beneficial interest. Mr. Gorman disclaims beneficial ownership of all of the shares referred to in this note (4).
- (5) On June 2, 2005, Huntington Bancshares, Inc. (Huntington) announced that the Securities and Exchange Commission (Commission) approved the settlement of the Commission's previously announced formal investigation into certain financial accounting matters relating to Huntington's fiscal years 2002 and earlier and certain related disclosure matters. As a part of the settlement, the Commission instituted a cease and desist administrative proceeding and entered a cease and desist order, as well as filed a civil action in federal district court pursuant to which, without admitting or denying the allegations in the complaint, Huntington, its former chief financial officer, its former controller, and Mr. Hoaglin consented to pay civil money penalties. Huntington consented to pay a penalty of \$7.5 million. Without admitting or denying the charges in the administrative proceeding, Huntington and the individuals each agreed to cease and desist from committing and/or causing the violations charged as well as any future violations of the Commission's regulations. Additionally, Mr. Hoaglin agreed to pay disgorgement, pre-judgment interest, and penalties in the amount of \$667,609. The former chief financial officer and the former controller each also agreed to pay amounts consisting of disgorgement, pre-judgment interest, and penalties and also consented to certain other non-monetary penalties.
- (6) Mr. Hoaglin also served as a Director of the Company from 1986 to 1989.
- (7) Includes 3,515 shares as to which Mr. Hoaglin shares voting and investment power.
- (8) Includes 19,966 shares owned by Mr. Lake's minor children as to which Mr. Lake considers that he shares the voting and investment power with respect thereto, but otherwise disclaims any beneficial interest therein.
- (9) Includes 2,966 shares owned by Mrs. Lake as to which Dr. Lake shares voting and investment power.
- (10) The amount shown in the table excludes 390 shares held in a trust of which Mrs. Walston is trustee. Mr. Walston disclaims beneficial ownership of all of the shares referred to in this note (10).
- (11) The amount shown in the table excludes 1,756 shares held in a trust of which Mrs. Walter is trustee. Mr. Walter disclaims beneficial ownership of all of the shares referred to in this note (11).

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BOARD OF DIRECTORS AND DIRECTORS COMMITTEES

During 2006, a total of five regularly scheduled meetings of the Board of Directors (at least one each quarter) and a total of 14 meetings of all standing Directors Committees were held. All Directors attended at least 75% of the aggregate of the total number of meetings held by the Board of Directors and of the total number of meetings held by the respective committees on which they served. In 2006, the independent Directors met once in executive session without the presence of the non-independent Directors and any members of the Company's management.

The Board of Directors has four separately designated standing committees: (1) an Audit Review Committee, whose present members are Thomas E. Hoaglin (Chairman and independent audit committee financial expert), Peter B. Lake and W. Wayne Walston; (2) a Compensation Committee (formerly the Salary Committee), whose present members are W. Wayne Walston (Chairman), Thomas E. Hoaglin and Christopher H. Lake; (3) a Pension Committee, whose present members are Peter B. Lake (Chairman), Rick R. Taylor and John A. Walter; and (4) a Nominating Committee, whose present members are John A. Walter (Chairman), Christopher H. Lake and Rick R. Taylor. All members of each committee are independent Directors.

The Audit Review Committee held six meetings in 2006. Its principal functions include reviewing the arrangement and scope of the audit, considering comments made by the independent accountants with respect to internal controls and financial reporting, considering corrective action taken by management, reviewing internal accounting procedures and controls with the Company's internal auditor and financial staff, and reviewing non-audit services provided by the independent accountants. The Committee is governed by a written charter adopted by the Board of Directors.

The Compensation Committee held two meetings during 2006. Its principal functions are, subject to approval by the Board of Directors, to develop compensation policies and programs for the Company's executive officers, and to recommend the salaries and profit sharing bonuses for the executive officers. (A more comprehensive description of the Compensation Committee's functions are set forth under the caption "Compensation Discussion and Analysis".)

The Pension Committee held five meetings in 2006. Its principal functions are to monitor and assist in the investment of the assets associated with the Company's pension plan.

The Nominating Committee held one meeting during 2006. Its principal functions involve the identification, evaluation and recommendation of individuals for nomination as new members of the Board of Directors. Members of the Nominating Committee are independent in accordance with Section 121 of the listing standards of the American Stock Exchange.

The Nominating Committee does not have a written charter but follows policies and procedures by which to consider recommendations from shareholders for Director nominees. (These written policies and procedures were recommended by the Committee and adopted by the Board of Directors for the

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Committee in 1991.) Any shareholder wishing to propose a candidate should deliver a typewritten or legible hand-written communication to the Company's Corporate Secretary. The submission should provide detailed business and personal biographical data about the candidate, and include a brief analysis explaining why the individual is well-qualified to become a Director nominee. All recommendations will be acknowledged by the Corporate Secretary and promptly referred to the Nominating Committee for evaluation.

The Nominating Committee does not believe that any particular set of skills or qualities are most appropriate for a Director candidate. All Director candidates, including any recommended by shareholders, are evaluated based upon their (i) business and financial expertise and experience; (ii) intellect to comprehend the issues confronting the Company; (iii) reputation for diligence, and limited time conflicts; and (iv) integrity, strength of character, practical wisdom and mature judgment. Any Director candidate will be subject to a background check performed by the Committee. In addition, the candidate will be personally interviewed by one or more Committee members before he or she is nominated to be a new member of the Board of Directors.

The Board of Directors has determined that all Non-Employee Directors (Messrs. Hoaglin, C.H. Lake, P. B. Lake, Taylor, Walston and Walter) are independent Directors in accordance with Section 121 of the listing standards of the American Stock Exchange. Non-Employee Directors are compensated by the Company for their services as Directors.

Directors who are employees of the Company (Messrs. J. C. Gorman and J. S. Gorman) do not receive any compensation for service as Directors.

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The table below summarizes the total compensation paid for service of each of the named Non-Employee Directors of the Company for the calendar year ended December 31, 2006.

Director Compensation

Name	Fees Earned or Paid in Cash(1)	Stock Awards(2)	Option Awards (\$)	Non-Equity Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total
Thomas E. Hoaglin	\$ 14,300	\$ 13,433	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,733
Christopher H. Lake	\$ 12,100	\$ 13,433	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,533
Peter B. Lake, Ph.D.	\$ 12,900	\$ 13,433	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,333
Rick R. Taylor	\$ 13,000	\$ 13,433	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,433
John A. Walter	\$ 14,000	\$ 13,433	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,433
W. Wayne Walston	\$ 14,300	\$ 13,433	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,733

- (1) Each Non-Employee Director receives a fee for each of the Board of Directors meetings attended. Fees were \$2,300 for each meeting attended and held prior to the annual meeting of shareholders in April 2006 and \$2,500 for the remaining meetings held during 2006. Directors serving as members of Board Committees receive an additional fee of \$300 for each Committee meeting attended that is held in conjunction with a meeting of the Board of Directors. Each Committee Chairman also receives a retainer of \$1,000 per year.
- (2) Effective May 22, 1997, the Board of Directors adopted a Non-Employee Directors Compensation Plan. Under the Plan, as additional compensation for regular services to be performed as a Director, an automatic award of 500 Common Shares (from the Company's treasury) will be made on each July 1 to each Non-Employee Director then serving on the Board. (On July 27, 2006, the Board of Directors adopted a resolution extending the Non-Employee Directors Compensation Plan for an additional term until the earlier of (i) May 21, 2017, (ii) at such time as all of the Company's Common Shares authorized for award under the Plan and registered under Form S-8 Registration Statement No. 333-30159 shall have been awarded and issued, (iii) at such time as the Company deregisters any Common Shares not issued under the foregoing Registration Statement, or (iv) at such time as the Plan is terminated by action of the Board of Directors.) The award of 500 Common Shares made on July 1, 2006 had a market value of \$13,433.

Members of the Board of Directors are encouraged to attend the Company's annual meetings of shareholders, time permitting. All Directors were in attendance at the annual meeting in 2006.

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AUDIT REVIEW COMMITTEE REPORT

The Audit Review Committee has submitted the following report to the Board of Directors:

- (i) The Audit Review Committee has reviewed and discussed the Company's audited consolidated financial statements for the fiscal year ended December 31, 2006 with the Company's management and the Company's independent public accountants;
- (ii) The Audit Review Committee has discussed with the Company's independent public accountants the matters required to be discussed by Statement on Auditing Standards No. 61 (Codification of Statements on Auditing Standards, AU§380);
- (iii) The Audit Review Committee has received the written disclosures and the letter from the Company's independent public accountants required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed the issue of independence, including the provision of non-audit services to the Company, with the independent public accountants;
- (iv) With respect to the provision of non-audit services to the Company, the Audit Review Committee has obtained a written statement from the Company's independent public accountants that they have not rendered any non-audit services prohibited by the Securities and Exchange Commission rules relating to auditor independence, and that the delivery of any permitted non-audit services has not and will not impair their independence;
- (v) Based upon the review and discussions referred to above, the Audit Review Committee has recommended to the Board of Directors that the Company's audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, to be filed with the Securities and Exchange Commission; and
- (vi) In general, t