GORMAN RUPP CO
Form DEF 14A
March 22, 2012

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

Filed by the Registrant þ

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))**
þ 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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(4) Date Filed:

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 Corporate Headquarters, 600 South Airport Road, Mansfield, Ohio 44903, on Thursday, April 26, 2012 at 10:00 a.m., Eastern Daylight Time, for the purpose of considering and acting upon four proposals to:

1. 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. Approve, on an advisory basis, the compensation of the Company s named Executive Officers;

3. Ratify the appointment of Ernst & Young LLP as independent registered public accountants for the Company during the year ending December 31, 2012; and

4. Conduct such other business as may properly come before the Meeting or any adjournment or postponement thereof.

Holders of Common Shares of record at the close of business on March 9, 2012 are the only Shareholders entitled to notice of and to vote at the Meeting.

Important Notice Regarding the Internet Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on April 26, 2012 This Notice of Annual Meeting of Shareholders, Proxy Statement and related Proxy Card and the Company s 2011 Annual Report to Shareholders are available at http://www.proxyvote.com. To access the proxy materials you will need to enter the 12-digit control number located on the proxy card.

You may vote by internet by following the instructions on the enclosed proxy card, or by signing and submitting your enclosed proxy card and returning 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 Counsel and Secretary

March 22, 2012

PROXY STATEMENT

March 22, 2012

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 Corporate Headquarters, 600 South Airport Road, Mansfield, Ohio, at 10:00 a.m., Eastern Daylight Time, on Thursday, April 26, 2012. Holders of Common Shares of record at the close of business on March 9, 2012 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 9, 2012, the record date for the determination of persons entitled to vote at the Meeting, there were 20,990,893 Common Shares outstanding. Each Common Share is entitled to one vote.

The mailing address of the principal executive offices of the Company is PO Box 1217, Mansfield, Ohio 44901-1217. This Proxy Statement and accompanying proxy are being mailed to shareholders on or about March 22, 2012.

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 such voting should for any reason not be effective to elect all of the nominees 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 will be voted in the manner directed therein. If no such direction is provided, 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.

Director Qualifications

The nominees for Director are as follows:

James C. Gorman is Chairman of the Board and son of J.C. Gorman, co-founder of the Company. Mr. Gorman has been Chairman of the Board since 1989 and served as the Company s President from 1964 until 1989, and as Chief Executive Officer from 1964 until 1996. Mr. Gorman also served on the Board of Directors of United Telephone Company of Ohio for 20 years and was Treasurer of a multi-million dollar international not-for-profit entity for 35 years. Mr. Gorman, age 87, has served as a Director of the Company since 1946.

Mr. Gorman was instrumental in the Company s development and growth for more than 30 years as President and Chief Executive Officer and 11 years in sales, and therefore is highly knowledgeable about the pump industry and the Company s products, customers and competitors.

Jeffrey S. Gorman is President and Chief Executive Officer of the Company. He was elected to these offices on May 1, 1998, after having served as Senior Vice President since 1996. He also served as General Manager of the Mansfield Division from 1989 through 2005 after service as Assistant General Manager from 1986 to 1988. Additionally, he held the office of Corporate Secretary from 1982 to 1990. Mr. Gorman is a member of the Board of Directors of Mechanics Savings Bank, Mansfield, Ohio and former Chairman of the Ohio Chamber of Commerce. Mr. Gorman, age 59, has served as a Director of the Company since 1989.

Mr. Gorman has been instrumental in continuing the Company s development and growth for more than 30 years, especially with respect to its international growth. He also is highly knowledgeable about all significant aspects of the pump industry and the Company s products, customers and competitors.

M. Ann Harlan is the retired Vice President and General Counsel of the J.M. Smucker Company (Smucker), a New York Stock Exchange (NYSE) publicly-traded food manufacturer. Ms. Harlan was a member of the Smucker executive management team responsible for setting and implementing corporate strategy and has broad experience with corporate governance issues and requirements of the NYSE, the Securities and Exchange Commission and the Sarbanes-Oxley Act of 2002. Ms. Harlan, age 52, has served as a Director of the Company since 2009.

Ms. Harlan has more than 12 years of experience as senior legal counsel at Smucker, which has significant family ownership and family senior management generally comparable to the ownership structure of the Company. She has extensive mergers and acquisition experience with Smucker and 15 years prior related experience with a major law firm. She also has broad experience with compensation and equity compensation plan development and administration.

Thomas E. Hoaglin is the retired Chief Executive Officer and Director of Huntington Bancshares, a publicly-traded financial institution. Mr. Hoaglin is a Director of American Electric Power Company, Inc. (NYSE), where he is the Chair of the Committee on Directors and Corporate Governance and also serves on the Human Resources (Compensation) Committee. Mr. Hoaglin, age 62, has served as a Director of the Company since 1993 and had previously served as a Director from 1986 to 1989.

Mr. Hoaglin qualifies as a financial expert for service as Chair of the Audit Committee. He has extensive major-corporation executive management experience and extensive board of directors experience in governance and executive compensation matters of publicly-held companies.

Christopher H. Lake is President and Chief Operating Officer of SRI Quality System Registrar, an international third party ISO registrar and certification audit firm, since December 2005, after having served as Vice President from July to December 2005. The firm has operations in the United States, Asia and the European Union. Mr. Lake served as President of Dean & Lake Consulting, Inc., a regional consulting group that focused on operations and product development from 2001 to July 2005. Previously, Mr. Lake was Principal and Industry Executive for a *Fortune 500* global consulting company. Mr. Lake, age 47, has served as a Director of the Company since 2000.

Mr. Lake has major corporate service and operations experience with large service, banking and telecommunications clients. He also has extensive experience providing information technology services to large domestic and international companies.

Dr. Peter B. Lake is Chairman and Chief Executive Officer and founder of SRI Quality System Registrar (SRI), an international third party ISO registrar and certification audit firm. He has been an officer of the company since its inception in 1991, serving as President through 2005. SRI is one of the top five U.S. owned and operated ISO registrars and an industry leader serving metals, processing and manufacturing companies worldwide. The firm has operations in Asia and the European Union.

Dr. Lake also founded an internationally recognized calibration and testing laboratory accreditation body. Dr. Lake, age 69, has served as a Director of the Company since 1975.

Dr. Lake spent his early career in the steel industry with Youngstown Sheet and Tube and National Steel holding a variety of management positions, including Director R&D and Corporate Quality Manager, before founding SRI. He has a Ph.D. degree in Metallurgical Engineering and has international quality management systems experience. His financial experience and analytical expertise also are applicable to benefits plan investment management.

Rick R. Taylor is President of Jay Industries, a Tier 1 automotive parts manufacturer, since 1985. Jay Industries also is a Tier 2 parts manufacturer for several other industrial companies. In addition, Mr. Taylor is President of Longview Steel Corporation, a steel wholesaler. Mr. Taylor has been a Director of Park National Corporation, a NYSE publicly traded regional bank holding company, since 1995, where he serves on the Investment Committee. Mr. Taylor, age 64, has served as a Director of the Company since 2003.

Mr. Taylor s major company manufacturing experience spans 40 years. He has extensive international supply chain experience, and board of directors experience, including investment management.

W. Wayne Walston has been a partner in the Warsaw, Indiana office of Beers Mallers Backs & Salin, LLP (attorneys) since November 2008. Prior to that, Mr. Walston was a partner in Miner Lemon & Walston, LLP from January 2007, and owner of the Walston Elder Law Office from July 2003 through December 2006. Mr. Walston previously was an officer of Sprint Corporation for 14 years as Legal and External Affairs officer; he also served as Secretary to the Board of Directors of five separate state operating entities. Mr. Walston, age 69, has served as a Director of the Company since 1999.

Mr. Walston has extensive experience with labor and employment relations, antitrust compliance, Securities and Exchange Commission compliance, state regulatory compliance for public utilities, legislative and regulatory advocacy, real estate contracts and transactions, corporate communications and corporate litigation. He also has extensive major publicly-held company board of directors experience, including corporate governance.

Additional Director Nominee Information

Involvement by Mr. Hoaglin in Certain Legal Proceedings On June 2, 2005, Huntington Bancshares, Inc. (Huntington) announced that the Securities and Exchange Commission (SEC) 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.

CORPORATE GOVERNANCE

Board of Directors and Board Committees

The Company requires that a majority of its Directors must be independent as required by the listing standards of the NYSE Amex Exchange and the SEC rules, or by other regulatory or legislative bodies as may be established. The Board, on an annual basis, makes a determination as to the independence of each Director in accordance with these prescribed rules or regulations. In general, independent means that a Director has no material relationship with the Company or any of its subsidiaries. The existence of a material relationship must be determined upon a review of all relevant facts and circumstances, and generally is a relationship that might reasonably be expected to compromise the Director s ability to maintain his or her independence from management.

Based on an annual review by the Governance and Nominating Committee, the Committee affirmatively determined, after considering all relevant facts and circumstances known to it, that no Non-Employee Director has a material relationship with the Company and that all Non-Employee Directors meet the independence standards of the Company s Corporate Governance Guidelines as well as the independence standards of the current NYSE Amex Exchange and SEC corporate governance requirements for listed companies.

During 2011, a total of five regularly scheduled meetings of the Board of Directors (at least one each quarter), two special meetings of the Board of Directors, and a total of 21 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 2011, the independent Directors met at four of the five regularly scheduled meetings of the Board of Directors in executive session without the presence of the non-independent Directors and any members of the Company s management.

At the April 28, 2011 annual reorganization meeting of the Board of Directors, Thomas E. Hoaglin was elected by the independent directors to serve as lead independent director. The lead independent director is responsible for coordinating the activities of the other independent directors and has the authority to preside at all meetings of the Board of Directors at which the Chairman of the Board is not present. The lead independent director serves as principal liaison on Board-wide issues between the independent directors and the Chairman of the Board, approves meeting schedules and agendas and monitors the quality of information sent to the Board. The lead independent director also may recommend the retention of outside advisors and consultants who report directly to the Board of Directors. If requested by shareholders, when appropriate, the lead independent director also will be available for consultation and direct communication.

The Board of Directors has four separately designated standing committees: (1) Audit Committee, whose present members are Thomas E. Hoaglin (Chair and independent audit committee financial expert), Dr. Peter B. Lake and W. Wayne Walston; (2) Compensation Committee, whose present members are W. Wayne Walston (Chair), M. Ann Harlan and Christopher H. Lake; (3) Pension Committee, whose present members are Dr. Peter B. Lake (Chair), Thomas E. Hoaglin and W. Wayne Walston; and (4) Governance and Nominating Committee, whose present members are M. Ann Harlan (Co-Chair), Christopher H. Lake (Co-Chair), and Rick R. Taylor. All members of each Committee are independent Directors. Each committee is governed by a written charter adopted by the Board of Directors detailing its authority and responsibilities. These charters are reviewed and updated periodically as legislative and regulatory developments and business circumstances warrant. The Board Committees charters are available in their entirety on the Company s website at http://www.gormanrupp.com.

Audit Committee

The Audit Committee held seven meetings in 2011. Its principal functions include reviewing the arrangement and scope of the audit of the Company s consolidated financial statements, considering comments made by the independent registered public accountants with respect to internal controls and financial reporting, considering related actions taken by management, reviewing internal accounting systems, procedures and controls with the Company s internal auditor and financial staff, reviewing non-audit services provided by the independent registered public accountants, and organizational oversight of the Company s enterprise risk management plan.

Compensation Committee

The Compensation Committee held six meetings during 2011. Its principal functions are, subject to approval by the Board of Directors, to evaluate, develop and monitor compensation policies and programs for the Company s officers and Directors, and to recommend the salaries and profit sharing for the officers. A more comprehensive description of the Compensation Committee s functions is set forth under the caption Compensation Discussion and Analysis .

Pension Committee

The Pension Committee held four meetings in 2011. Its principal functions are to monitor the investment of the assets associated with the Company s defined benefit pension plan and 401(k) defined contribution plan and to assist in evaluating recommended changes in such investments.

Governance and Nominating Committee

The Governance and Nominating Committee held three meetings during 2011. Its principal functions involve the identification, evaluation and recommendation of individuals for nomination as members of the Board of Directors, succession planning for the Company s Chief Executive Officer and other Executive Officers, succession planning for other corporate officers and key operating executives, and periodic review of the Board Committees charters and Corporate Governance Guidelines for compliance with evolving regulations and Board-desired corporate goals. The Governance and Nominating Committee also monitors the availability of training and professional education programs suitable for Directors for enhancement of their Board and Committee responsibilities. During 2011, the Governance and Nominating Committee evaluated with the Executive Officers several such programs and elected to adopt the comprehensive conference, webinar, mail and e-mail program of Corporate Board Member, an NYSE Euronext Company, to provide the principal portion of such educational opportunity during 2011 and 2012.

The Governance and Nominating Committee charter incorporates the Company s policies and procedures by which to consider recommendations from shareholders for Director nominees. Any shareholder wishing to propose a candidate may do so by delivering 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 Governance and Nominating Committee for evaluation.

The Governance and Nominating Committee does not believe that any particular set of skills, qualities or diversities is most appropriate for a Director candidate. All Director candidates, including any recommended by shareholders, are first evaluated based upon their (i) integrity, strength of character, practical wisdom and mature judgment; (ii) business and financial expertise and experience; (iii) intellect to comprehend the issues confronting the Company; and (iv) availability of adequate time to devote to the affairs of the Company and attend Board and Committee meetings. The Governance and Nominating Committee also focuses on issues of diversity, such as diversity of gender, race and national origin, education, professional experience and differences in viewpoints and skills. New Director candidates are 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 for election to the Board of Directors. In considering candidates for the Board, the Governance and Nominating Committee considers the entirety of each candidate s credentials in the context of their skills, qualities or diversities. With respect to the nomination of continuing Directors for re-election, the individual s historical contributions to the Board are also considered.

Risk Oversight

The Board of Directors believes that control and management of risk are primary responsibilities of senior management of the Company. As a general matter, the entire Board of Directors is responsible for oversight of this important senior management function. The Audit Committee is responsible to the Board for the organizational oversight of the Company s comprehensive enterprise risk management plan. Additional oversight of some risks is performed by specific Board committees, e.g., financial reporting risks are overseen by the Audit Committee, benefit plan investment risks are overseen by the Pension Committee, personnel selection, evaluation, retention and compensation risks are overseen by the Compensation Committee, and Chief Executive Officer, Executive Officer, other corporate officer, key operating executive and Director succession planning risks are overseen by the Governance and Nominating Committee; the results of their oversight are reported regularly to the entire Board of Directors.

Company Leadership Organization

Upon election of Mr. J.S. Gorman as Chief Executive Officer of the Company May 1, 1998, the Company separated the offices of Board Chairman and Chief Executive Officer because it believed this division more clearly delineated their respective responsibilities. This separation currently provides for the Chairman to focus on Board of Director responsibilities and for the Chief Executive Officer to focus on the Company s executive, administrative and operating responsibilities. Given their respective service years with the Company, the Company believes this structure is most appropriate currently for conducting its business and its responsibilities to its employees, customers and suppliers, to its shareholders and Directors, and to its community and regulatory agencies.

AUDIT COMMITTEE REPORT

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

(i) The Audit Committee has reviewed and discussed the Company s audited consolidated financial statements for the fiscal year ended December 31, 2011 and the assessment of the Company s internal control over financial reporting with the Company s management and the Company s independent registered public accountants;

(ii) The Audit Committee has discussed with the Company s independent registered public accountants the matters required to be discussed by applicable audit standards, as adopted by the Public Company Accounting Oversight Board in Rule 3200T;

(iii) The Audit Committee has received the written disclosures and the letter from the Company s independent registered public accountants required by the Public Company Accounting Oversight Board Rule 3526 (Communication with Audit Committees Concerning Independence), and has discussed the issue of independence, including the provision of non-audit services to the Company, with the independent registered public accountants;

(iv) With respect to the provision of non-audit services to the Company, the Audit Committee has obtained a written statement from the Company s independent registered 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 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, 2011, to be filed with the Securities and Exchange Commission; and

(vi) In general, the Audit Committee has fulfilled its commitments in accordance with its Charter.

Members of the Audit Committee are also independent in accordance with the additional listing standards of the NYSE Amex Exchange, and the Chairman is an independent audit committee financial expert in accordance with Securities and Exchange Commission rules.

The foregoing report has been furnished by members of the Audit Committee.

/s/ Thomas E. Hoaglin	/s/ Peter B. Lake	/s/ W. Wayne Walston
Thomas E. Hoaglin,	Dr. Peter B. Lake	W. Wayne Walston
Chair		

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

The Compensation Committee (the Committee) of the Board of Directors is authorized (i) to review and evaluate the compensation policies and programs for the Company s Chief Executive Officer and its other officers (collectively, the Officers); (ii) to review, at least annually, the Chief Executive Officer s progress assessments of the other Officers and to evaluate the Chief Executive Officer s progress assessment; (iii) to review and recommend the annual salaries and profit sharing determinations for the Officers to the Board of Directors; and (iv) to periodically review the compensation of Non-Employee Directors (Directors) and submit any suggested recommendations for changes to the Directors for review.

Three independent Directors comprise the Committee. Their responsibilities are carried out pursuant to authority delegated by the Board of Directors and in accordance with the federal securities laws and other applicable laws and regulations and the Committee s charter.

Philosophy and Objectives

Under the Committee s supervision, the Company has formulated a compensation philosophy that is intended to assure the provision of fair, competitive and performance-based compensation to the Officers. The philosophy reflects the belief that compensation of the Officers and the Non-Employee Directors should be aligned with the Company s historical compensation practices, its culture, and its profitability and long-term shareholder value .

The implementation of the Company s philosophy seeks (i) to attract and retain a group of talented individuals with the education, experience, skill sets and professional presence deemed best suited for the respective Officer and Non-Employee Director positions; and (ii) to continually motivate those individuals to help the Company achieve its strategic goals and enhance profitability by offering them incentive compensation in the form of profit sharing, in addition to their salaries, driven by their individual progress assessments and the Company s results of operations and financial condition.

Periodic Reviews

In devising and maintaining the Company s Officer and Non-Employee Director compensation program, the Committee from time to time reviews generally available published data relevant to the compensation of officers and directors in competitor companies that manufacture pumps and related fluid control equipment. The Committee also regularly consults with executive management and periodically with outside accounting, legal and consulting advisors as appropriate in arriving at compensation recommendations, subject to approval by the Board of Directors.

To provide additional perspective on its internal review and feedback from outside advisors, in 2007, following its review of the qualifications of several compensation consultants, the Committee engaged the services of Watson Wyatt Worldwide, now known as Towers Watson, an independent compensation consulting company, for a formal benchmarking review. This original review was followed by a subsequent benchmarking review in 2010 by Towers Watson (Watson).

The Committee, working with Watson, obtained public data from a peer group of approximately 10 publicly-traded industrial manufacturing companies identified as applicable benchmark companies for comparative compensation analysis, ranked for relevance to the Company based on the following criteria:

1. Industry/product type fluid control related companies with the same, or similar SIC codes.

2. Organization size companies comparable in size based on revenue.

3. Location primarily companies headquartered in the Midwest and outside of major metropolitan areas.

The Committee received reports from Watson for their 2007 and 2010 reviews and the Committee reviewed the compensation details of each of the peer group companies for their respective officer and, beginning in 2010, Board Non-Employee Director positions. Based on its reviews, the Committee made recommendations to the Board regarding compensation considerations for these groups.

During 2011, the Compensation Committee approved management s recommendation to purchase computer software and related services from Equilar, a leading independent third-party provider of financial, executive and director compensation data, for the purpose of securing access to its extensive, industry-leading database of compensation data on publicly-traded companies. The decision to utilize the Equilar software and related services was based on the Committee s desire to have more control and insight into the selection of the comparable peer group of companies and to enable a more robust analysis thereof. Additionally, the Equilar software and related services are utilized by most public company compensation consulting firms as their primary data source.

The scope of Equilar s services is limited to providing access to its database, providing education on the effective use of the software and discussing database issues with its representatives. Equilar did not advise management or the Compensation Committee on its executive compensation programs or decisions. The Committee s objectives in using data from Equilar were to establish an appropriate peer group for evaluating Officer and Non-Employee Director compensation generally; complete a competitive assessment of pay levels for the Executive Officers and the Non-Employee Directors; and develop a recommended structure and implementation plan for the compensation for these positions including annual incentive opportunities and long-term incentive arrangements, if any.

Pursuant to the Committee s objectives and request, management compiled comparative peer information regarding executive and Non-Employee Directors compensation details from 20 other capital goods manufacturing companies reflecting similar size (median revenue of approximately $330 million ranging from approximately $100 million to $750 million in revenue) for the Committee s review and consideration. The Committee used this information as a general reference to low, mean, median and high compensation ranges and for correlation to similar measures of operating profitability, including total shareholder return. The Committee additionally evaluated the Officers progress assessments and the Company s financial performance in making its compensation decisions. The Committee also took into account the favorable outcome of the shareholders advisory vote on executive compensation at the Company s 2011 Annual Meeting of Shareholders. In 2011 the Board, based on the Committee s recommendations, approved implementation plans for revisions of the compensation components of the Chief Executive Officer and the Chief Financial Officer, and for the Non-Employee Directors, with an objective over time to reach the 25th percentile of comparable capital goods manufacturing companies described above.

Annual Reviews

Prior to the Company s Annual Meeting of Shareholders, the Committee reviews with the Chief Executive Officer the recommended annual base salary for each of the Officers (other than the Chief Executive Officer). The Committee independently reviews the base salary for the Chief Executive Officer and develops a recommendation therefor. These salary reviews include consideration of updated compensation advisor data; the fact that a significant component of total compensation is variable, performance-based profit sharing and other relevant information in arriving at the Committee s recommendations. The Committee then reports the results of its compensation reviews and recommendations to the Board of Directors.

Following the end of each year and the final preparation of the Company s audited financial statements, management calculates the total amount of profit sharing available for awarding to the Officers based on the Company s achieved operating income and the award percentage determined at the beginning of the year. The

Chief Executive Officer then determines a recommended allocation of the available profit sharing award pool among the Officers based on the respective Officer s prior profit sharing award history and their current year progress assessment.

The Committee reviews with the Chief Executive Officer the recommended profit sharing award for each of the Officers (other than the Chief Executive Officer). The Committee independently reviews the profit sharing award for the Chief Executive Officer and develops a recommendation therefor. These profit sharing reviews include consideration of the Chief Executive Officer s progress assessments of the other Officers, and the Committee s independent progress assessment of the Chief Executive Officer. The Committee then reports the results of its profit sharing reviews and recommendations to the Board of Directors.

Elements of Compensation

The Company s Officer compensation program is designed to reward leadership, initiative, teamwork and top-quality performances by the Officers. The program consists of three elements: base salary; profit sharing; and a component of modest miscellaneous benefits. Incentive stock or option awards and non-equity incentive plan compensation have never been a part of the Company s Officer compensation program. In addition, the Company has not entered into employment contracts with any of the Officers.

Although not an element of Officer compensation, ownership of the Company s Common Shares by the Officers has continually been considered a worthy goal within the Company further to align of Officers interests with those of Shareholders. The Company has paid increased dividends on its Common Shares for 39 consecutive years and paid such quarterly dividends regularly for more than 61 years. Toward that end, the Company sponsors purchase opportunities, including a partial Company match, aimed at encouraging the Officers, and substantially all other employees, to voluntarily invest in the Common Shares.

Base Salary and Profit Sharing Base salaries are premised upon the relative responsibilities of the given Officers and industry surveys and related data. Initial salaries generally are set below competitive levels paid to comparable officers at other entities engaged in the same or similar businesses as the Company. Following their hire, actual salaries are adjusted based on performance judgments of each person s qualifications, prior accomplishments and expected future contributions in his or her Officer role.

The Company intentionally relies to a large degree on incentive compensation in the form of profit sharing to attract and retain the Officers. This profit sharing opportunity provides motivation for them to perform to the full extent of their individual abilities and as a team to build Company profitability and shareholder value on a continuing, long-term basis.

Other Compensation The Officers receive a variety of modest miscellaneous benefits, the value of which is represented for the named Executive Officers under the caption All Other Compensation in the Summary Compensation Table. These benefits include taxable life insurance, and Company contributions to the Christmas Savings Plan, the 401(k) Plan and certain partial matching contribution opportunities under the Employee Stock Purchase Plan.

Stock Ownership The Company has long encouraged the Officers to voluntarily invest in the Company s Common Shares. As a consequence, the Company makes the purchase of its Common Shares convenient, in some cases with Company partial cash matching contributions, and in all cases without brokers fees or commissions, under an Employee Stock Purchase Plan, a 401(k) Plan and a Dividend Reinvestment Plan. Although the purchase opportunities available through these plans do not constitute elements of Officer compensation, all of the current Officers are shareholders and participate in one or more of the foregoing plans.

Pension Benefits

The pension plan in which three of the Company s Executive Officers participate is a defined benefit plan covering substantially all U.S. employees of the Company for which new entry terminated as of December 31, 2007. Effective January 1, 2008, a new and enhanced 401(k) Plan was adopted for new employees hired thereafter.

The pension plan offers participants upon retirement, the option to choose between monthly benefits or a single sum payment. The monthly pension benefits are equal to the product of 1.1% of the participant s final average monthly earnings (based on compensation during the final ten years of service) and the number of years of credited service. A single sum amount is equal to the present value of the final monthly pension benefit multiplied by a single premium immediate annuity rate as defined by the plan. Historically, nearly all participants in the plan elect the single sum amount at retirement. The single sum payment option is used for financial reporting purposes for the fiscal year ended December 31, 2011, computed as the plan measurement date of December 31, 2011. Actuarial assumptions used by the Company in determining the present value of the accumulated benefit amount consist of a 3% interest rate for 2011-2013 with a 5% interest rate thereafter, a 4% discount rate and the IRS 2012 IRS Static Mortality Table. Base compensation in excess of $225,000 is not taken into account under the plan. Vesting occurs after five years of credited service.

The table below summarizes the number of years of credited service and the present value of accumulated pension benefit for each of the named Executive Officers of the Company at December 31, 2011.

Pension Benefits Table

Name and Principal Position	Plan Name	Year	Number of Years Credited Service(1)	Present Value of Accumulated Benefit(2)	Payments During Last Fiscal Year
Jeffrey S. Gorman	The Gorman-Rupp Company Retirement Plan	2011	33	$ 809,278	$ 0
President and Chief		2010	32	689,982	0
Executive Officer		2009	31	612,785	0
Wayne L. Knabel(3)	The Gorman-Rupp Company Retirement Plan	2011	0	0	0
Chief Financial Officer and		2010	0	0	0
Treasurer		2009	0	0	0
David P. Emmens	The Gorman-Rupp Company Retirement Plan	2011	14	221,957	0
Corporate Counsel		2010	13	152,694	0
and Secretary		2009	12	124,109	0
James C. Gorman	The Gorman-Rupp Company Retirement Plan	2011	62	303,366	73,224
Chairman		2010	61	343,115	73,224
		2009	60	363,733	73,224

(1) The credited years of service are determined as of a measurement date of December 31, 2011.

(2) The amount represents the actuarial present value of accumulated benefit based on a single sum payment computed as of the plan measurement date of December 31, 2011. The retirement age is assumed to be the normal retirement age of 65 as defined in the plan.

(3) Mr. Knabel was hired March 31, 2008, subsequent to the closing of the defined benefit pension plan to new participants effective December 31, 2007. The plan was replaced for new employees by an enhanced 401(k) plan established to replace the Company s defined benefit plan for substantially all U.S. employees hired thereafter (see Note (6) to the Summary Compensation table).

Summary Compensation Table

The table below contains information pertaining to the annual compensation of the Company s principal executive officer, its principal financial officer, and its other named executive officers.

Name and Principal Position	Year	Salary	Bonus (1)	Stock Awards (2)	Option Awards (2)	Non-Equity Incentive Plan Compensation (2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (3)	All Other Compensation (4)	Total
Jeffrey S. Gorman(5)	2011	$ 325,000	$ 212,000	$ 0	$ 0	$ 0	$ 119,295	$ 5,879	$ 662,174
President and Chief	2010	285,417	174,000	0	0	0	77,197	7,361	543,975
Executive Officer	2009	252,053	135,000	0	0	0	107,776	7,430	502,259
Wayne L. Knabel(6)(7)	2011	210,417	155,000	0	0	0	0	24,787	390,204
Chief Financial Officer	2010	188,333	117,000	0	0	0	0	34,008	339,341
and Treasurer	2009	170,153	85,000	0	0	0	0	17,495	272,648
David P. Emmens(7)	2011	127,083	70,000	0	0	0	69,263	7,265	273,611
Corporate Counsel	2010	116,250	58,000	0	0	0	28,585	6,772	209,607
and Secretary	2009	104,981	45,000	0	0	0	24,591	6,063	180,635
James C. Gorman(8)	2011	100,000	15,000	0	0	0	(39,749)	4,824	80,075
Chairman	2010	100,000	15,000	0	0	0	(20,619)	4,786	99,167
	2009	92,538	12,000	0	0	0	(21,277)	4,742	88,003

(1) The Company provides the opportunity for additional profit sharing compensation as the only form of potential incentive compensation to substantially all its employees, including its Executive Officers.

(2) The Company has never offered incentive stock or option awards or non-equity incentive plan compensation as a part of the Company s compensation programs.

(3) The amounts reflect the non-cash change in pension value recognized for financial statement reporting purposes for the fiscal year ended December 31, 2011, in accordance with SEC Release Nos. 33-8732A; 34-54302A. In computing the change in pension value, the Company applies the assumptions used for financial reporting purposes and a measurement date of December 31 for benefit plan determinations. The change in pension value is the aggregate increase in the actuarial present value of the Executive Officer s accumulated benefit measured on an annual basis from the plan measurement date in 2009 to the measurement date in 2011. The Company does not offer nonqualified deferred compensation earnings to any of its employees.

(4) Amounts include taxable life insurance, and Company contributions to the Company s 401(k) Plan, Employee Stock Purchase Plan and Christmas Savings Plan.

(5) In 2009 Mr. J.S. Gorman took a voluntary pay reduction of 15% of his salary for over one-half of the year totaling $22,947. Average pay reductions of other personnel during this period were 8%. His non-cash Change in Pension Value and Nonqualified Deferred Compensation Earnings increased each year due to replacement of earlier lower-compensated years with his most recent salary and to additional years of service.

(6)

Mr. Knabel was elected Chief Financial Officer and Treasurer effective May 1, 2009. Previously he was Vice President Finance following his hire March 31, 2008. His All Other Compensation includes $17,197 and $13,900 for calendar years 2011 and 2010, respectively, for the Company s contributions to his account in the enhanced 401(k) plan established to replace the defined benefit plan for substantially all U.S. employees hired after December 31, 2007. Also in 2010, this amount includes $15,000 of relocation reimbursement.

(7) Mr. Knabel and Mr. Emmens took voluntary pay reductions averaging 8% of their salaries for about one-half of 2009.

(8) Mr. J.C. Gorman s annual salary is $100,000 which has not increased since 1998. He took a voluntary pay reduction of 15% of his salary for about one-half of 2009 totaling $7,462. Average pay reductions of other personnel during this period were 8%.

Director Compensation

Non-Employee Directors are compensated by the Company for their services as Directors. As described in the Compensation Discussion and Analysis section above, the Compensation Committee is charged with oversight and periodic review of such compensation for comparative evaluation with comparable companies and for recommending any changes to the entire Board of Directors.

Beginning in 2010 and during 2011, the Compensation Committee reviewed the compensation of the Non-Employee Directors using the same process it used in reviewing the compensation of the Officers, but with a more focused look at the structure of the compensation of Non-Employees Directors among selected peer companies. The only change during 2011 from 2010 was an additional award of 500 shares per Non-Employee Director each on August 1, 2011. Additional recommendations were made and approved for implementation beginning in 2012 with an objective over time to reach the 25th percentile of comparable capital goods manufacturing companies described above on page 9.

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

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, 2011.

Director Compensation Table

Name	Fees Earned or Paid in Cash(1)	Stock Awards (2)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total
M. Ann Harlan	$ 17,750	$ 33,265	$ 0	$ 0	$ 0	$ 0	$ 51,015
Thomas E. Hoaglin	17,250	33,265	0	0	0	0	50,515
Christopher H. Lake	17,750	33,265	0	0	0	0	51,015
Peter B. Lake, Ph.D.	18,750	33,265	0	0	0	0	52,015
Rick R. Taylor	16,250	33,265	0	0	0	0	49,515
W. Wayne Walston	20,250	33,265	0	0	0	0	53,515

(1) Each Non-Employee Director received a fee for each of the Board of Directors meetings attended. Fees were $2,750 for each meeting attended during 2011. Directors serving as members of Board Committees received an additional fee of $500 for each Committee meeting attended that is held in conjunction with a meeting of the Board of Directors. Each Committee Chairman also received a retainer fee of $1,000 per year. In support of the Company s management and employees, substantially all of whom underwent compensation reductions for more than six months during 2009, the Non-Employee Directors, upon recommendation of the Compensation Committee, voted unanimously on October 22, 2009 to reduce all components of Director fees by 15%. This reduction remained in effect through April 22, 2010.

(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) to 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.) Effective July 28, 2011, the Board of Directors amended the plan to include an automatic award of an additional 500 Common Shares (from the Company s treasury) on August 1, 2011. The aggregate award of 1,000 Common Shares made in 2011 to each Director had a combined market value of $33,265, computed in accordance with FASB ASC Topic 718.

Members of the Board of Directors are encouraged to attend the Company s Annual Meeting of Shareholders. All Directors were in attendance at the Annual Meeting in 2011.

COMPENSATION COMMITTEE REPORT

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

(i) The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with the Company s management; and

(ii) Based on the review and discussions referred to in the preceding paragraph, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company s Proxy Statement in connection with the 2012 Annual Meeting of the Company s Shareholders.

The foregoing report has been furnished by members of the Compensation Committee.

/s/ M. ANN HARLAN	/s/ CHRISTOPHER H. LAKE	/s/ W. WAYNE WALSTON
M. Ann Harlan	Christopher H. Lake	W. Wayne Walston, Chair

BENEFICIAL OWNERSHIP OF SHARES

The following table sets forth information pertaining to the beneficial ownership of the Company s Common Shares as of February 1, 2012, except as otherwise noted, by (i) each person nominated for election as a Director, (ii) each Officer named in the summary compensation table, (iii) nominees for Director and Executive Officers of the Company as a group, and (iv) any person who is known to the Company to be a beneficial owner of more than five percent of the outstanding shares of Common Stock. The address of each of the Company s Directors and Executive Officers is in care of The Gorman-Rupp Company, P.O. Box 1217, Mansfield, Ohio 44903.

Name and Address	Amount and Nature of Beneficial Ownership(1)	Percent of Outstanding Shares
Independent Director Nominees:		
M. Ann Harlan	2,437	*
Thomas E. Hoaglin	20,866(2)	*
Christopher H. Lake	49,671(3)	*
Dr. Peter B. Lake	29,445(4)	*
Rick R. Taylor	9,270	*
W. Wayne Walston	15,528(5)	*
Named Executive Officers:		
James C. Gorman	1,350,524(6)	6.43%
Jeffrey S. Gorman	1,248,856(7)	5.95%
David P. Emmens	11,452	*
Wayne L. Knabel	4,405	*
All Directors and Executive Officers as a group (10 persons):	2,742,454(8)	13.06%
Other Principal Beneficial Owners:		
Pioneer Investment Management, Inc.(9)(11)	1,239,680	5.90%
60 State Street		
Boston, MA 02109		
GAMCO Investors, Inc.(10)(11)	854,068	5.09%
One Corporate Center		
Rye, NY 10580-1435		

* Represents less than 1% of the outstanding shares.

(1) 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 or she 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 SEC reporting requirements. Voting power or investment power with respect to shares reflected in the table is not shared with others except as otherwise indicated.

(2) Includes 5,491 shares as to which Mr. Hoaglin shares voting and investment power.

(3) Includes 38,611 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.

(4) Includes 4,758 shares owned by Mrs. Lake as to which Dr. Lake shares voting and investment power.

(5)

The amount shown in the table excludes 1,234 shares held in a trust of which Mr. and Mrs. Walston are co-trustees. Mr. Walston disclaims beneficial ownership of all of the shares referred to in this note (5).

(6) Includes 573,686 shares owned by Mr. Gorman s wife and 132,987 shares held in a trust of which Mr. Gorman is a co-trustee. Mr. Gorman shares voting and investment power with respect to all 132,987 of the shares held in the trust, but otherwise disclaims any beneficial ownership thereof. The amount shown in the table excludes 2,495,185 shares beneficially owned by members of Mr. Gorman s immediate family and 563,693 shares held in trusts of which he and members of his family have beneficial interests. (132,987 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 (6).

(7) Includes 108,846 shares owned by Mr. Gorman s wife and 323,469 shares owned by his adult 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 93,457 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 (7).

(8) Includes 1,187,848 shares as to which voting and investment power are shared.

(9) Pioneer Investment Management, Inc., an investment advisory business, and an indirect subsidiary of UniCredit S.p.A. Based on a Schedule 13G/A filed on February 14, 2012.

(10) GAMCO Investors, Inc. is a diversified asset manager and financial services company. Includes shares beneficially owned by Gabelli Funds, LLC, GAMCO Asset Management Inc. and Teton Advisors, Inc. Gabelli Funds, LLC reported sole voting power and sole dispositive power with respect to 484,500 shares. GAMCO Asset Management Inc. reported sole voting power with respect to 322,568 shares and sole dispositive power with respect to 357,568 shares. Teton Advisors, Inc. reported sole voting power and sole dispositive power with respect to 12,000 shares. Based on a Schedule 13D filed on May 12, 2011.

(11) Information pertaining to the beneficial ownership of the Company s Common Shares is as of December 31, 2011.

ADVISORY VOTE ON THE COMPENSATION OF THE COMPANY S

NAMED EXECUTIVE OFFICERS

(Proposal No. 2)

This proposal is for a non-binding, advisory vote to approve the compensation of the Company s named Executive Officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of the named Executive Officers and the compensation philosophy, policies and practices as described in the Executive Compensation Compensation Discussion and Analysis narrative discussion and Summary Compensation Table of this proxy statement. As detailed therein, the Directors are focused on compensating the Executive Officers fairly and in a manner that promotes the Company s compensation philosophy that compensation of the Executive Officers should be aligned with the Company s historical compensation, its culture, and its profitability for the continued achievement of long-term shareholder value. Accordingly, the Company is asking shareholders to vote FOR the adoption of the following resolution:

RESOLVED, that the shareholders of The Gorman-Rupp Company approve, on an advisory basis, the compensation of the Company s named Executive Officers, as disclosed in the Executive Compensation - Compensation Discussion and Analysis narrative discussion and Summary Compensation Table of this 2012 Proxy Statement.

While not binding on the Company, the Board of Directors or the Compensation Committee, the results of shareholder voting on this proposal will be considered by the Board and Compensation Committee when making future compensation decisions for the Company s named Executive Officers.

The Directors recommend a vote FOR Proposal No. 2 to approve the advisory resolution on the compensation of the Company s named Executive Officers.

APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

(Proposal No. 3)

This proposal is for a vote to ratify the appointment by the Audit Committee of the Board of Directors of Ernst & Young LLP as independent registered public accountants for the Company during the year ending December 31, 2012. Representatives of Ernst & Young LLP are expected to be present at the Meeting, will have an opportunity to make a statement if they so desire, and are expected to be available to respond to appropriate questions.

The Company paid Ernst & Young LLP the following fees in connection with the Company s fiscal years ending December 31, 2011 and 2010:

Audit Fees $717,000 (2011); $727,500 (2010). Audit fees consist of the aggregate fees billed for professional services rendered for the audit of the Company s annual financial statements and the reviews of the Company s interim financial statements included in its quarterly reports on Form 10-Q, or services that are normally provided by the accounting firm in connection with statutory and regulatory filings or engagements for those fiscal years. The fees paid in 2011 and 2010 also cover services performed in connection with the Sarbanes-Oxley Section 404 attestation and other Sarbanes-Oxley requirements.

Audit-Related Fees $47,000 (2011); $47,000 (2010). Audit-related fees consist of the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company s financial statements and are not reported under the caption Audit Fees. The audit-related fees were paid for benefit plan audits.

Tax Fees $50,500 (2011); $30,500 (2010). Tax fees consist of the aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning. The tax fees were paid for the following services: federal and international tax planning and advice; federal, state, local and international tax compliance; state and local tax consulting; form 5500 compliance issues; Canadian compliance issues; and other tax advice and assistance regarding statutory and regulatory matters.

All Other Fees $0 (2011); $0 (2010). The all other fees category consists of the aggregate fees billed for products and services provided, other than the services reported in the foregoing three paragraphs.

Under its Charter, the Audit Committee is directly responsible for the oversight of the work of Ernst & Young LLP and has the sole authority to (i) appoint, retain and terminate Ernst & Young LLP, (ii) pre-approve all audit engagement fees, terms and services, and (iii) pre-approve scope and fees for any non-audit engagements with Ernst & Young LLP. The Committee exercises this authority in a manner consistent with applicable law and the rules of the SEC and the NYSE Amex Exchange, and Ernst & Young LLP reports directly to the Committee. In addition, the Committee has determined to delegate its authority to grant any pre-approvals to its Chairman, subject to the report of any such pre-approvals to the Committee at its next scheduled meeting for ratification. With respect to certain of the services categorized above, the following percentage of services were rendered by Ernst & Young LLP in accordance with the annual *de minimus* exception to the pre-approval requirement: Audit-Related Fees 0%; Tax Fees 0%; All Other Fees 0%.

Ratification by the shareholders of the appointment of Ernst & Young LLP is not required by law. However, the Board of Directors believes that shareholders should be given this opportunity to express their views on the subject. While not binding on the Audit Committee, the failure of the shareholders to ratify the appointment of Ernst & Young LLP as the Company s independent registered public accountants would be considered by the Audit Committee in determining whether to continue the engagement of Ernst & Young LLP. Even if the appointment is ratified, the Audit Committee may, in its discretion, select a different firm of independent registered public accountants for the Company at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders.

The Directors recommend a vote FOR Proposal No. 3 to ratify the appointment of Ernst & Young LLP as the Company s independent registered public accountants.

GENERAL INFORMATION

The Company s 2011 Annual Report to Shareholders, including financial statements, is being mailed concurrently with this Proxy Statement to all shareholders of the Company.

The cost of soliciting proxies will be paid by the Company. In addition to the use of the mails, proxies may be solicited personally or by telephone, facsimile or other means of communication by employees of the Company. No separate compensation will be paid for the solicitation of proxies, although the Company may reimburse brokers and other persons holding Common Shares in their names or in the names of nominees for their expenses in sending proxy material to the beneficial owners of such Common Shares.

Any proposal by a shareholder intended to be included in the proxy materials to be distributed by the Company in connection with the 2013 Annual Meeting of Shareholders must be received by the Company on or before November 22, 2012. If a shareholder proposal is received after February 5, 2013, it will be considered untimely and the proxy holders may use their discretionary voting authority if and when the proposal is raised at such Annual Meeting, without any discussion of the matter in the proxy statement. The Board of Directors proxy for the 2013 Annual Meeting of Shareholders is expected to grant discretionary voting authority to the proxy holders with respect to any such proposal received after February 17, 2013.

Any shareholder wishing to communicate with the Board of Directors or a specific Director, if applicable may send a written statement or inquiry to the Company s Corporate Secretary at the Company s mailing address. All writings will be acknowledged by the Corporate Secretary and presented for consideration and response at the next scheduled Board meeting.

OTHER BUSINESS

Financial and other reports will be submitted to the Meeting, but it is not intended that any action will be taken in respect thereof. The Company did not receive notice by February 21, 2012 of, and the Board of Directors is not aware of, any matters other than those referred to in this Proxy Statement which might be brought before the Meeting for action. Therefore, if any such other matters should arise, it is intended that the persons appointed as proxy holders will vote or act thereon in accordance with their own judgment.

You are urged to date, sign and return your proxy promptly. For your convenience, enclosed is a self-addressed return envelope requiring no postage if mailed in the United States.

By Order of the Board of Directors

David P. Emmens

Corporate Counsel and Secretary

March 22, 2012