

GORMAN RUPP CO
Form DEF 14A
March 25, 2005

Table of Contents

**SCHEDULE 14A
(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Filed by the Registrant

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 Section 240.14a-11c or Section 240.14a-12

THE GORMAN-RUPP COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

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TABLE OF CONTENTS

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

SOLICITATION AND REVOCATION OF PROXIES

OUTSTANDING SHARES AND VOTING RIGHTS

ELECTION OF DIRECTORS

BOARD OF DIRECTORS AND DIRECTORS COMMITTEES

AUDIT REVIEW COMMITTEE REPORT

SHAREHOLDINGS BY EXECUTIVE OFFICERS*

PRINCIPAL SHAREHOLDERS

EXECUTIVE COMPENSATION

PENSION AND RETIREMENT BENEFITS

SALARY COMMITTEE REPORT ON EXECUTIVE COMPENSATION

SHAREHOLDER RETURN PERFORMANCE PRESENTATION

APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

GENERAL INFORMATION

OTHER BUSINESS

Table of Contents

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 28, 2005 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;
2. A proposal to ratify the appointment of Ernst & Young LLP as independent public accountants for the Company during the year ending December 31, 2005; and
3. 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, 2005 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 28, 2005

Table of Contents

PROXY STATEMENT

March 28, 2005

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 28, 2005. Holders of Common Shares of record at the close of business on March 14, 2005 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, 2005, the record date for the determination of persons entitled to vote at the Meeting, there were 10,682,697 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 28, 2005.

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

Table of Contents

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, 2005, 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, 2005(2) | Percent of Outstanding Shares |
|---|-----------------------------------|---|-------------------------------------|
| James C. Gorman Chairman of the Company. Chief Executive Officer (1968-1996). Age: 80 | 1946 | 894,377(3) | 8.37% |
| Jeffrey S. Gorman President and Chief Executive Officer of the Company; General Manager of the Company's Mansfield Division. Age: 52 | 1989 | 542,857(4) | 5.08% |

Table of Contents

| Name, Age and Principal Occupation(1) | Director Continuously Since | Shares Owned Beneficially at Feb. 1, 2005(2) | Percent of Outstanding Shares |
|--|-----------------------------------|---|-------------------------------------|
| Thomas E. Hoaglin Chairman, President, Chief Executive Officer and Director; Huntington Bancshares, Inc. (NASDAQ); Columbus, Ohio. Vice Chairman; AmSouth Bancorporation; Birmingham, Alabama (1999-2000). Age: 55 | 1993(5) | 7,812(6) | * |
| Christopher H. Lake Vice President; Dean & Lake Consulting, Inc.; Powder Springs, Georgia. Senior Manager, e-business Services; Red Celsius, Inc.; Alpharetta, Georgia (2000-2001). Age: 40 | 2000 | 16,714(7) | * |
| Dr. Peter B. Lake President and Chief Executive Officer; SRI Quality System Registrar, Inc.; Wexford, Pennsylvania. Age: 62 | 1975 | 15,356(8) | * |
| Rick R. Taylor President; Jay Industries (automotive parts manufacturer); President; Longview Steel Corp. (steel wholesaler); Mansfield, Ohio. Director; Park National Corporation (AMEX). Age: 57 | 2003 | 1,875 | * |

Table of Contents

| Name, Age and Principal Occupation(1) | Director Continuously Since | Shares Owned Beneficially at Feb. 1, 2005(2) | Percent of Outstanding Shares |
|---|-----------------------------------|---|-------------------------------------|
| <p>W. Wayne Walston Owner; Walston Elder Law Office (attorneys); Warsaw, Indiana. Managing Partner; Valentine, Miner & Lemon, LLP (attorneys); Warsaw, Indiana (2002-2003). Retired (2001-2002). Vice President-External Affairs (1989-2001); Sprint (telecommunications); Mansfield, Ohio. Age: 62</p> | 1999 | 4,619(9) | * |
| <p>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: 71</p> | 1989 | 8,587(10) | * |

* 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 354,406 shares owned by Mr. Gorman's wife and 92,262 shares held in a trust of which Mr. Gorman is a co-trustee. Mr. Gorman has a beneficial interest in 68,090 of the shares held in the trust, considers that he shares the voting and investment power with respect to all of

Table of Contents

the foregoing shares, but otherwise disclaims any beneficial interest therein. The amount shown in the table excludes 1,125,278 shares beneficially owned by members of Mr. Gorman's immediate family and 288,614 shares held in trusts of which he and members of his family have beneficial interests. (68,090 of these trust shares are the same shares described above.) Mr. Gorman disclaims beneficial ownership of all of the shares referred to in this note (3).

- (4) Includes 42,112 shares owned by Mr. Gorman's wife and 130,117 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 47,851 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) Mr. Hoaglin also served as a Director of the Company from 1986 to 1989.
- (6) Includes 2,812 shares as to which Mr. Hoaglin shares voting and investment power.
- (7) Includes 13,914 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.
- (8) Includes 3,375 shares owned by Mrs. Lake as to which Dr. Lake shares voting and investment power.
- (9) The amount shown in the table excludes 312 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 (9).
- (10) The amount shown in the table excludes 1,405 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 (10).

BOARD OF DIRECTORS AND DIRECTORS' COMMITTEES

During 2004, a total of five regularly scheduled meetings of the Board of Directors (at least one each quarter) and a total of sixteen 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 2004, the independent Directors met once in executive session without the presence of the non-independent Directors and any members of the Company's management.

Table of Contents

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 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 ten meetings in 2004. 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 Salary Committee held one meeting during 2004. Its principal functions are to determine the salaries of the elected officers and certain senior executives of the Company and to determine profit sharing amounts for eligible employees, subject to approval by the Board of Directors.

The Pension Committee held four meetings in 2004. 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 2004. 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 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;

Table of Contents

(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. Directors who are employees of the Company (Messrs. J. C. Gorman and J. S. Gorman) do not receive any compensation for service as Directors. Each Non-Employee Director receives a fee for each of the Board of Directors meetings attended. The fee was \$2,300 for meetings held during 2004. No fees are paid, however, for attendance at committee meetings, except that Directors serving as members of the Audit Review Committee receive an additional fee of \$200 for each Audit Review Committee meeting attended that is held in conjunction with a Board of Directors meeting. 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 (through 2006 unless extended) to each Non-Employee Director then serving on the Board. The award of 500 Common Shares made on July 1, 2004 had a market value of \$13,337.

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 2004.

Table of Contents

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, 2004 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, 2004, to be filed with the Securities and Exchange Commission; and

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

Members of the Audit Review Committee are independent in accordance with Section 121 of the listing standards of the American Stock Exchange. The Chairman is also an independent audit committee financial expert in accordance with Securities and Exchange Commission rules.

Based upon a recommendation of the Audit Review Committee, the Board of Directors adopted a written Charter for the Audit Review Committee on October 23, 2003 (replacing the previous Charter adopted on June 8, 2000). The Committee reviews and reassesses the adequacy of the Charter on an annual basis. The Charter was set forth as an appendix to the Proxy Statement in 2004, and will again be set forth as an appendix to the Proxy Statement in 2007.

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

/s/ W. Wayne Walston

/s/ Thomas E. Hoaglin

/s/ Peter B. Lake

W. Wayne Walston

Thomas E. Hoaglin
Chairman

Peter B. Lake

Table of Contents**SHAREHOLDINGS BY EXECUTIVE OFFICERS***

| Name and Principal Position | Shares Owned Beneficially | Shared Voting and Investment Power |
|--|------------------------------|--|
| Robert E. Kirkendall Senior Vice President and Chief Financial Officer | 17,583 | -0- |
| William D. Danuloff Vice President Information Technology | 13,101 | 8,663 |
| Judith L. Sovine Treasurer | 4,136 | 3,660 |

*The table sets forth information received from the executive officers as of February 1, 2005, and all amounts represent less than 1% of the outstanding shares. The shareholdings of James C. Gorman and Jeffrey S. Gorman are included below and under the caption Election of Directors.

PRINCIPAL SHAREHOLDERS

The following table sets forth information pertaining to the beneficial ownership of the Company's Common Shares as of February 1, 2005 by James C. Gorman and Jeffrey S. Gorman, and as of December 31, 2004 by each other person known to the Company to own beneficially at least five percent of the outstanding Common Shares.

| Name and Address | Type of Ownership | Number of Shares Owned | Percent of Outstanding Shares |
|---|------------------------------------|------------------------------|-------------------------------------|
| James C. Gorman 305 Bowman Street Mansfield, Ohio 44903 | Sole voting and investment power | 447,709 | 4.19% |
| | Shared voting and investment power | 446,668 | 4.18% |
| | Total | 894,377 | 8.37% |
| Jeffrey S. Gorman 305 Bowman Street Mansfield, Ohio 44903 | Sole voting and investment power | 354,543 | 3.32% |
| | Shared voting and investment power | 188,314 | 1.76% |
| | Total | 542,857 | 5.08% |

Table of Contents

| Name and Address | Type of Ownership | Number of Shares Owned | Percent of Outstanding Shares |
|--|---|------------------------|-------------------------------|
| Pioneer Global Asset Management S.p.A. Galleria San Carlo 6 20122 Milan, Italy | Sole voting power | 660,844 | 6.19% |
| | Sole investment power | 660,844 | 6.19% |
| | Shared voting power | -0- | |
| | Shared investment power | -0- | |
| Total | | 660,844(1) | 6.19% |
| Tweedy, Browne Company LLC 350 Park Avenue New York, New York 10022 | As broker/ dealer and investment adviser with sole voting power | 686,199 | 6.42% |
| | As broker/ dealer and investment adviser with sole investment power | 687,198 | 6.43% |
| | As broker/ dealer and investment adviser with shared voting power | -0- | |
| | As broker/ dealer and investment adviser with shared investment power | -0- | |
| Total | | 687,198(1) | 6.43% |
| All Directors and Executive Officers as a group (12 persons) | | 1,530,579(2) | 14.33% |

(1) This figure represents the aggregate amount of Common Shares beneficially owned. Of the aggregate amount, however, some shares are subject to sole voting power but shared or no investment power, and some shares are subject to sole investment power but shared or no voting power. Consequently, the sum of this column does not equal the aggregate amount shown.

(2) Includes 667,406 shares as to which voting and investment power are shared.

Table of Contents**EXECUTIVE COMPENSATION**

There is shown below information concerning the annual and long-term compensation for services in all capacities to the Company for the fiscal years ended December 31, 2004, 2003 and 2002 of those persons who were, at December 31, 2004, (i) the chief executive officer and (ii) the other four most highly compensated executive officers of the Company (the Named Officers).

Summary Compensation Table

| Name and Principal Position | Year | Annual Compensation(1)(2) | | | Long-Term Compensation | | All Other Compensation(3) | Total |
|--|------|---------------------------|-----------|----------|------------------------|-----------------------------|---------------------------|------------|
| | | Salary | Bonus | Other | Stock Options/SARs | Long-term Incentive Payouts | | |
| Jeffrey S. Gorman President and Chief Executive Officer | 2004 | \$ 182,500 | \$ 82,000 | \$ 1,356 | 0 | 0 | \$ 3,200 | \$ 269,056 |
| | 2003 | 180,000 | 84,000 | 1,356 | 0 | 0 | 3,169 | 268,525 |
| | 2002 | 178,241 | 68,000 | 1,356 | 0 | 0 | 3,165 | 250,762 |
| Robert E. Kirkendall Senior Vice President and Chief Financial Officer | 2004 | 128,333 | 36,000 | 1,381 | 0 | 0 | 2,600 | 168,314 |
| | 2003 | 120,000 | 37,000 | 1,381 | 0 | 0 | 2,400 | 160,781 |
| | 2002 | 107,308 | 28,500 | 1,381 | 0 | 0 | 2,337 | 139,526 |
| William D. Danuloff Vice President Information Technology | 2004 | 102,000 | 26,000 | 156 | 0 | 0 | 2,054 | 130,210 |
| | 2003 | 100,000 | 25,500 | 156 | 0 | 0 | 1,937 | 127,593 |
| | 2002 | 98,288 | 20,500 | 156 | 0 | 0 | 2,061 | 121,005 |
| Judith L. Sovine Treasurer | 2004 | 101,500 | 26,000 | 1,086 | 0 | 0 | 2,061 | 130,647 |
| | 2003 | 98,500 | 25,500 | 1,086 | 0 | 0 | 1,928 | 127,014 |
| | 2002 | 95,920 | 20,500 | 1,086 | 0 | 0 | 1,956 | 119,462 |
| James C. Gorman Chairman | 2004 | 100,000 | 21,000 | 156 | 0 | 0 | 975 | 122,131 |
| | 2003 | 100,000 | 21,000 | 156 | 0 | 0 | 916 | 122,072 |
| | 2002 | 99,023 | 14,000 | 156 | 0 | 0 | 957 | 114,136 |

(1) The Company sponsors The Gorman-Rupp Company 401(k) Plan. Substantially all the employees of the Company, including the executive officers and the employees of Patterson Pump Company (a wholly owned subsidiary), are eligible to participate in the 401(k) Plan. Each participant in the 401(k) Plan may make before-tax contributions to the Plan of up to 15% of compensation, but not in excess of the maximum annual amount permitted by the Internal Revenue Code. The maximum annual amount was \$11,000 for 2002, \$12,000 for 2003 and \$13,000 for 2004. In 2005, the maximum annual amount will be \$14,000 (and \$18,000 for participants who are age 50 and older). Before-tax contributions made to the 401(k) Plan qualify for deferred tax treatment under Section 401(k) of the Code. The Company makes matching contributions in its Common Shares on a monthly basis for each participant who is an employee

Table of Contents

on the last day of the month equal to 40% of the first 4% of the participant's before-tax contributions made during the month. The participant's before-tax contributions and the Company's matching contributions are nonforfeitable, but are subject to special nondiscrimination tests imposed by the Code. If the tests are not satisfied, contributions by or for highly compensated employees are reduced. Each participant (or the beneficiary of a deceased participant) receives the full amount allocated to a participant's account upon any termination of the participant's employment. During 2004, a total of \$2,234,890, consisting of both participant before-tax contributions and Company matching contributions, was allocated to participants' accounts under the 401(k) Plan, including an aggregate amount of \$75,778 to the accounts of the executive officers which is included in the compensation shown in the table. The amounts allocated during 2004 to the accounts of the executive officers named in the table are as follows: Mr. J.S. Gorman (\$15,970); Mr. Kirkendall (\$15,600); Mr. Danuloff (\$9,756); Ms. Sovine (\$13,653); and Mr. J.C. Gorman (\$3,412).

- (2) The pension plan in which the Company's executive officers participate is a defined benefit plan covering substantially all employees of the Company and Patterson Pump Company; and the amounts of contributions or accruals applicable to the individual participants therein cannot be readily calculated. The aggregate contributions made to such plan for the benefit of the Company's executive officers amount to approximately 2.1% of the total contributions made on behalf of all participants covered by the plan.

In general, a participant's monthly benefit under the pension plan is determined by multiplying 1.1% of his final average monthly compensation by the number of his credited years and months of service. A participant's final average monthly compensation is one-twelfth of the average annual compensation of the participant for the last 10 years of the participant's employment with the Company (or Patterson Pump Company) or, if less than 10, for his actual years of such employment. The compensation covered by the pension plan for 2004 is identical to the compensation set forth in the table, except that the plan does not cover profit-sharing bonuses or amounts labeled "other" in the table received by any executive officer, as well as any compensation in excess of \$205,000, effective November 1, 2004. However, compensation covered by the pension plan does include any before-tax contributions made by the participant to the 401(k) Plan. The benefit amounts applicable to each individual participant are not subject to any deduction for Social Security benefits or other offset amounts.

Table of Contents

As of November 1, 2004, the Named Officers had the following number of credited full years of service under the Company's pension plan: Mr. J.S. Gorman 26; Mr. Kirkendall 26; Mr. Danuloff 33; Ms. Sovine 25; and Mr. J.C. Gorman 55. As of November 1, 2004, the estimated annual benefits payable at age 65 upon retirement to Messrs. Gorman, Kirkendall, Danuloff, Ms. Sovine and Mr. Gorman are \$45,788, \$29,057, \$33,576, \$23,553 and \$71,388, respectively. Mr. J.C. Gorman is age 80 and remains active as an officer of the Company. In accordance with the terms of the pension plan, because Mr. J.C. Gorman is over age 70 1/2, he received payments from the pension plan which totaled \$73,224 in 2004.

(3) Amounts contributed by the Company on behalf of the Named Officers to the 401(k) Plan.

PENSION AND RETIREMENT BENEFITS

The following table shows the estimated annual benefits under the Company's pension plan which would have been payable to employees in various compensation classifications upon retirement in 2004 at age 65 after selected periods of service.

| Final Average Annual Pay at Age 65* | 10 Years | 20 Years | 30 Years | 40 Years |
|--|-----------------|-----------------|-----------------|-----------------|
| \$ 25,000 | \$ 2,750 | \$ 5,500 | \$ 8,250 | \$ 11,000 |
| 50,000 | 5,500 | 11,000 | 16,500 | 22,000 |
| 75,000 | 8,250 | 16,500 | 24,750 | 33,000 |
| 100,000 | 11,000 | 22,000 | 33,000 | 44,000 |
| 125,000 | 13,750 | 27,500 | 41,250 | 55,000 |
| 150,000 | 16,500 | 33,000 | 49,500 | 66,000 |
| 175,000 | 19,250 | 38,500 | 57,750 | 77,000 |
| 200,000 | 22,000 | 44,000 | 66,000 | 88,000 |

* Compensation in excess of \$205,000 is not taken into account under the pension plan.

Table of Contents

SALARY COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Under the supervision of the Salary Committee of the Board of Directors, the Company has developed compensation policies which seek to enhance the profitability of the Company, and thus shareholder value, by aligning closely the financial interests of the Company's corporate officers and other key employees with those of its shareholders. As a starting point, annual base salaries are generally set somewhat below competitive levels so that the Company relies to a large degree on annual incentive compensation to retain corporate officers and other key employees of outstanding abilities and to motivate them to perform to the full extent of their abilities. The incentive compensation is then closely tied to corporate and individual performances in a manner that encourages a long and continuing focus on building profitability and shareholder value.

Based on an evaluation of these factors, the Committee believes that the corporate officers and other key employees of the Company are dedicated to achieving improvements in long-term financial performance and that the compensation policies the Committee administers have contributed to achieving this management focus.

Compensation for each of the Named Officers, as well as other executive officers and certain senior executives, consists of a base salary and annual incentive compensation or profit sharing. The base salaries are fixed at levels somewhat below the competitive amounts paid to senior managers with comparable qualifications, experience and responsibilities at other companies engaged in the same or similar businesses as the Company. The annual incentive compensation is more closely tied to the Company's success in achieving significant financial and non-financial performance goals. The Committee considers the total compensation of each of the Named Officers and the other executive officers and certain senior executives in establishing the elements of compensation.

In the early part of each fiscal year, the Committee reviews with the Chief Executive Officer and approves, with modifications considered appropriate, an annual salary for the Company's executive officers and certain senior executives (other than the Chief Executive Officer). Salaries are developed based upon industry and national surveys and performance judgments as to the past and expected future contributions of the individual executive officers and certain senior executives. The Committee independently reviews and fixes the base salary of the Chief Executive Officer based on similar competitive compensation data and the Committee's assessment of his past performance and its expectation as to his future contributions in leading the Company.

At the beginning of each year, performance objectives for purposes of determining annual profit sharing are also established based upon operating earnings. At the end of each year, performance against these objectives is determined by an arithmetic calculation. In determining the profit sharing in 2004 for eligible employees, including the Named Officers, the Committee reviews management's recommendations with the Chief Executive Officer based on individual performance. The results of

Table of Contents

these evaluations are considered by the Salary Committee and the Board of Directors when determining the amounts to be awarded as profit sharing (which appear as Bonus in the Summary Compensation Table on page 13).

The Committee believes that its compensation policies have successfully focused the Company's senior management on building continued profitability and shareholder value.

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

/s/ Thomas E. Hoaglin

/s/ W. Wayne Walston

/s/ Christopher H. Lake

Thomas E. Hoaglin

W. Wayne Walston
Chairman

Christopher H. Lake

SHAREHOLDER RETURN PERFORMANCE PRESENTATION

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on the Company's Common Shares against the cumulative total return of the American Stock Exchange Market Value Index and a Peer Group Index for the period of five fiscal years commencing January 1, 2000 and ending December 31, 2004. The issuers in the Peer Group Index were selected on a line-of-business basis by reference to SIC Code 3561 Pumps and Pumping Equipment. The Peer Group Index is composed of the following issuers: Ampco-Pittsburgh Corp., Flowserve Corp., Graco Inc., Idex Corp., Met-Pro Corp., Robbins & Myers Inc. and Roper Industries Inc., in addition to the Company.

Table of Contents

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN

**AMONG THE GORMAN-RUPP COMPANY,
AMEX MARKET INDEX AND PEER GROUP INDEX**

| | The Gorman-Rupp Co. | Peer Group Index | AMEX Market Index |
|------|----------------------------|-------------------------|--------------------------|
| | <hr/> | <hr/> | <hr/> |
| 1999 | 100.00 | 100.00 | 100.00 |
| 2000 | 106.77 | 108.15 | 98.77 |
| 2001 | 164.26 | 139.32 | 94.22 |
| 2002 | 147.26 | 117.93 | 90.46 |
| 2003 | 170.59 | 158.30 | 123.12 |
| 2004 | 190.62 | 214.45 | 140.99 |

ASSUMES \$100 INVESTED ON JAN. 1, 2000

**ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDING DEC. 31, 2004**

Table of Contents

APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

(Proposal No. 2)

A proposal will be presented at the Meeting to ratify the appointment by the Audit Review Committee of the Board of Directors of Ernst & Young LLP as independent public accountants for the Company during the year ending December 31, 2005. 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, 2004 and 2003:

Audit Fees \$670,000 (2004); \$343,000 (2003). 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 2004 also cover services performed in connection with the Sarbanes-Oxley Section 404 attestation and other Sarbanes-Oxley requirements.

Audit-Related Fees \$30,000 (2004); \$107,000 (2003). 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 the following services: benefit plan audits; and in 2003, Sarbanes-Oxley Section 404 readiness and other Sarbanes-Oxley requirements.

Tax Fees \$150,000 (2004); \$164,000 (2003). 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 (2004); \$15,000 (2003). 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. These fees were paid for the following products and services: advice and assistance related to individual income tax returns.

Under its Charter, the Audit Review Committee of the Company's Board of Directors 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,

Table of Contents

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 Securities and Exchange Commission and the American Stock Exchange, and Ernst & Young LLP reports directly to 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. 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 Review Committee of the Board of Directors, the failure of the shareholders to ratify the appointment of Ernst & Young LLP as the Company's independent public accountants would be considered by the Audit Review Committee in determining whether to continue the engagement of Ernst & Young LLP. Even if the appointment is ratified, the Audit Review Committee of the Board of Directors may, in its discretion, select a different firm of independent 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. 2 to ratify the appointment of Ernst & Young LLP as the Company's independent public accountants.

Table of Contents

GENERAL INFORMATION

The Company's 2004 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, telecopy or other means of communication by a few officers or regular 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 presented at the 2006 annual meeting of shareholders must be received by the Company for inclusion in the proxy statement and form of proxy of the Company relating to such meeting on or before November 18, 2005. If a shareholder proposal is received after February 28, 2006, 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 2006 annual meeting of shareholders will grant discretionary voting authority to the proxy holders with respect to any such proposal received after February 28, 2006.

Any shareholder wishing to communicate with the Board of Directors may send a written statement or inquiry to the Company's Corporate Secretary. 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 23, 2005 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 Secretary

March 28, 2005

Table of Contents

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| The Board of Directors recommend a vote FOR Proposal No. 2. | FOR | AGAINST | ABSTAIN |
|--|------------|----------------|----------------|
| 2. RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP as independent public accountants. <i>(Sign and date on other side)</i> | O | O | O |

Table of Contents

The Gorman-Rupp Company

c/o National City Bank
Corporate Trust Operations
Locator 5352
P.O. Box 92301
Cleveland, OH 44101-4301

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(Continued from other side)

PROXY 3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the Meeting.

COMMON SHARES **When properly executed, this proxy will be voted in the manner directed by the undersigned shareholder; if no direction is made, this proxy will be voted FOR proposals 1 and 2.**

Please sign exactly as your name appears below. If signing as attorney, executor, administrator, trustee or guardian, please give full title as such; and if signing for a corporation, please give your title. When shares are in the names of more than one person, each should sign.

Dated: _____, 2005

Signature of Shareholder(s)

Please check this box if you plan to attend the Meeting.