GORMAN RUPP CO
Form 10-Q
July 29, 2010

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

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

For the Quarterly Period Ended June 30, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 1-6747

The Gorman-Rupp Company

(Exact name of registrant as specified in its charter)

Ohio	34-0253990
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
600 South Airport Road, Mansfield, Ohio	44903
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code (419) 755-1011

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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

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

Common shares, without par value, outstanding at July 27, 2010. 16,685,535

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The Gorman-Rupp Company and Subsidiaries
Three and Six Months June 30, 2010 and 2009

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

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PART I. FINANCIAL INFORMATION
ITEM 1 FINANCIAL STATEMENTS (UNAUDITED)

THE GORMAN-RUPP COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Thousands of dollars, except per share amounts)	2010	2009	2010	2009
Net sales	$ 72,380	$ 68,345	$ 138,166	$ 139,943
Cost of products sold	55,094	52,555	105,431	108,808
Gross profit	17,286	15,790	32,735	31,135
Selling, general and administrative expenses	8,375	8,790	17,134	17,778
Operating income	8,911	7,000	15,601	13,357
Other income	12	144	137	909
Other expense	(412)	58	(528)	(196)
Income before income taxes	8,511	7,202	15,210	14,070
Income taxes	2,855	2,335	5,057	4,697
Net income	$ 5,656	$ 4,867	$ 10,153	$ 9,373
Earnings per share	$ 0.34	$ 0.29	$ 0.61	$ 0.56
Cash dividends paid per share	$ 0.105	$ 0.100	$ 0.210	$ 0.200
Weighted average shares outstanding	16,710,260	16,707,535	16,710,397	16,707,535

See notes to condensed consolidated financial statements.

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THE GORMAN-RUPP COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Thousands of dollars)	Unaudited June 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 37,216	$ 44,403
Short-term investments	1,513	1,505
Accounts receivable net	49,315	37,239
Inventories net	37,711	40,506
Deferred income taxes and other current assets	4,538	7,747
Total current assets	130,293	131,400
Property, plant and equipment	209,265	208,571
Less accumulated depreciation	100,884	100,048
Property, plant and equipment net	108,381	108,523
Deferred income taxes and other assets	9,816	9,149
Total assets	$ 248,490	$ 249,072
Liabilities and shareholders equity		
Current liabilities:		
Accounts payable	$ 13,669	$ 8,972
Short-term debt		15,000
Payroll and related liabilities	7,806	6,909
Accrued expenses	17,960	12,294
Total current liabilities	39,435	43,175
Income taxes payable	971	971
Retirement benefits	2,768	5,044
Postretirement benefits	22,752	22,270
Total liabilities	65,926	71,460

The Gorman-Rupp Company shareholders equity		
Common shares, without par value:		
Authorized - 35,000,000 shares		
Outstanding - 16,685,535 shares in 2010 and 16,710,535 in 2009 (after deducting treasury shares of 626,683 in 2010 and 601,683 in 2009) at stated capital amount	5,092	5,100
Retained earnings	188,879	182,875
Accumulated other comprehensive loss	(12,064)	(11,070)
The Gorman-Rupp Company shareholders equity	181,907	176,905
Noncontrolling interest	657	707
Total shareholders equity	182,564	177,612
Total liabilities and shareholders equity	$ 248,490	$ 249,072

See notes to condensed consolidated financial statements.

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THE GORMAN-RUPP COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30,	
(Thousands of dollars)	2010	2009
Cash flows from operating activities:		
Net income	$ 10,153	$ 9,373
Adjustments to reconcile net income attributable to net cash provided by operating activities:		
Depreciation and amortization	5,205	4,236
Changes in operating assets and liabilities:		
Accounts receivable	(12,075)	7,102
Inventories	2,795	8,986
Accounts payable	4,697	(6,343)
Accrued expenses and other	5,736	3,793
Net cash provided by operating activities	16,511	27,147
Cash flows from investing activities:		
Capital additions net	(3,966)	(23,204)
Proceeds from sale of product line		1,210
Change in short-term investments	(8)	
Net cash used for investing activities	(3,974)	(21,994)
Cash flows from financing activities:		
Cash dividends	(3,509)	(3,342)
Proceeds from bank borrowings		16,834
Payments to bank for borrowings	(15,000)	
Purchase of common shares for treasury	(648)	
Net cash (used for) provided by financing activities	(19,157)	13,492
Effect of exchange rate changes on cash	(567)	271
Net (decrease) increase in cash and cash equivalents	(7,187)	18,916
Cash and cash equivalents:		
Beginning of year	44,403	23,793

June 30,	$	37,216	$	42,709

See notes to condensed consolidated financial statements.

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PART I

ITEM 1. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The consolidated financial statements include the accounts of the Company and its wholly and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2010 are not necessarily indicative of results that may be expected for the year ending December 31, 2010. For further information, refer to the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009. The Company has evaluated the existence of subsequent events through the filing date of this Form 10-Q.

NEW ACCOUNTING PRONOUNCEMENTS

There have been no recent accounting pronouncements or changes in accounting pronouncements during the six months ended June 30, 2010, as compared to the recent accounting pronouncements described in the Company s Annual Report on Form 10-K for the year ended December 31, 2009, that are of significance or potential significance to the Company.

NOTE B INVENTORIES

Inventories are stated at the lower of cost or market. The costs for substantially all inventories are determined using the last-in, first-out (LIFO) method, with the remainder determined using the first-in, first-out (FIFO) method. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. Interim LIFO calculations are based on management s estimate of expected year-end inventory levels and costs and are subject to the final year-end LIFO inventory valuation.

The major components of inventories are as follows (net of LIFO reserves):

(Thousands of dollars)	June 30, 2010	December 31, 2009
Raw materials and in-process	$ 19,744	$ 22,087
Finished parts	15,237	16,026
Finished products	2,730	2,393
Total inventories	$ 37,711	$ 40,506

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PART I CONTINUED

ITEM 1. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

NOTE C FINANCING ARRANGEMENTS

During the three months ended June 30, 2010, the Company re-paid the outstanding balance of $10.0 million related to an unsecured bank loan agreement which was scheduled to mature in November 2010. The proceeds from this agreement were used to partially finance the consolidation and expansion of the Company s Mansfield, Ohio manufacturing and office facilities which were substantially completed in 2009.

NOTE D PRODUCT WARRANTIES

A liability is established for estimated future warranty and service claims based on historical claims experience, specific product failures and sales volume. The Company expenses warranty costs directly to cost of products sold. Changes in the Company s product warranty liability are as follows:

	June 30,	
(Thousands of dollars)	2010	2009
Balance at beginning of year	$ 1,863	$ 2,048
Warranty costs accrued	486	1,323
Expenses	(944)	(1,299)
Balance at end of period	$ 1,405	$ 2,072

NOTE E COMPREHENSIVE INCOME

Comprehensive income and its components, net of tax, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Thousands of dollars)	2010	2009	2010	2009
Net income	$ 5,656	$ 4,867	$ 10,153	$ 9,373
Changes in cumulative foreign currency translation adjustments	(1,401)	1,179	(1,509)	498
Pension and OPEB adjustments	246	470	515	941
Total comprehensive income attributable to The Gorman-Rupp Company	$ 4,501	$ 6,516	$ 9,159	$ 10,812

NOTE F INCOME TAXES

The Company follows the provisions of ASC 740 Income Taxes. Accordingly, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit.

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PART I CONTINUED

ITEM 1. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

NOTE F INCOME TAXES CONTINUED

The amount of unrecognized tax benefits as of January 1, 2010 of $1.5 million includes $876,000 which, if ultimately recognized, will reduce the Company s annual effective tax rate.

At June 30, 2010, the balance of unrecognized tax benefits remained at approximately $1.5 million. The activity in the current year is primarily related to a $93,000 increase in current year tax positions and a $12,000 decrease related to settlements with taxing authorities. The June 30, 2010 balance of unrecognized tax benefits includes $978,000 which, if ultimately realized, will reduce the Company s annual effective tax rate.

The statute of limitations in several jurisdictions will expire in the next 12 months. The Company has unrecognized tax benefits of $64,000 which would be recognized if the statute of limitations expires without the relevant taxing authority examining the applicable returns.

The Company is subject to income taxes in the U.S. federal jurisdiction, and various states and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. Except as noted below, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2006.

The Company was examined by the Canadian Revenue Agency for tax years ending 2004 2006 related to inter-company royalty payments. The Company received a final assessment during the first quarter 2009 and has filed a Competent Authority Appeal with both U.S. and Canadian Competent Authorities to eliminate double tax treatment. Under the most recent U.S.-Canadian tax protocol, Competent Authority assessments should achieve symmetry under binding arbitration. Any adjustment resulting from Competent Authority resolution of the examination is not expected to have a material impact on the consolidated financial position or future consolidated results of operations of the Company.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense for all periods presented. The Company had accrued approximately $391,000 for the payment of interest and penalties at January 1, 2010. An additional accrual of interest and penalties of approximately $37,000 and $61,000 was recorded for the three and six months ended June 30, 2010, respectively.

NOTE G PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors a defined benefit pension plan covering substantially all employees hired prior to January 1, 2008. Additionally, the Company sponsors a defined contribution pension plan at one location not participating in the defined benefit pension plan. A 401(k) plan that includes a graduated Company match is also available. The Company also sponsors a non-contributory defined benefit health care plan that provides health benefits to substantially all retirees and their spouses.

For substantially all United States employees hired after January 1, 2008, an enhanced 401(k) plan is available instead of the Company s defined benefit pension plan. Benefits are based on age and years of service with the Company. Employees hired prior to January 1, 2008 are not affected by the change.

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PART I CONTINUED
ITEM 1. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED
NOTE G PENSION AND OTHER POSTRETIREMENT BENEFITS CONTINUED

The following table presents the components of net periodic benefit cost:

	Pension Benefits Six Months Ended June 30,		Postretirement Benefits Six Months Ended June 30,	
(Thousands of dollars)	2010	2009	2010	2009
Service cost	$ 1,361	$ 1,376	$ 553	$ 605
Interest cost	1,577	1,702	628	787
Expected return on plan assets	(2,214)	(1,768)		
Unrecognized actuarial (gain) loss	788	1,053	(286)	(113)
Recognized actuarial (gain) loss			(1)	
Benefit cost	$ 1,512	$ 2,363	$ 894	$ 1,279

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Overview

The Gorman-Rupp Company is a leading designer, manufacturer and marketer of pumps and related equipment (pump and motor controls) for use in water, wastewater, construction, industrial, petroleum, original equipment, agriculture, fire protection, heating, ventilating and air conditioning (HVAC), military and other liquid-handling applications. The Company attributes its success to exceptional product quality, application and performance combined with delivery and service, and attempts to continually develop initiatives to improve performance in these key areas.

Since the fourth quarter of 2008, demand for most of our products slowed due to the global economic recession. The Company responded to these challenging business conditions by adjusting cost structures to current operating levels and realigning production plans to match current demand. During the three and six months ended June 30, 2010, the Company experienced improved financial results with earnings largely driven by solid operating performance in what is still an unpredictable environment. Customer order growth continues to be encouraging, but the Company remains cautious as full economic recovery remains uncertain.

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PART I CONTINUED
ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS CONTINUED
Second Quarter 2010 Compared to Second Quarter 2009
Net Sales

	Three Months Ended June 30,			
(Thousands of dollars)	2010	2009	$ Change	% Change
Net sales	$ 72,380	$ 68,345	$ 4,035	5.9%

The increase in net sales during the quarter was positively impacted by the early stages of economic recovery and is due primarily to increases in the international fire protection market of $4.1 million, custom pump applications of $2.7 million and the construction and rental market of $2.3 million. Partially offsetting these increases were decreased sales in the OEM market of $2.9 million and the domestic fire protection market of $1.8 million.

Cost of Products Sold

	Three Months Ended June 30,			
(Thousands of dollars)	2010	2009	$ Change	% Change
Cost of products sold	$ 55,094	$ 52,555	$ 2,539	4.8%
% of Net sales	*76.1%*	*76.9%*		

The increase in cost of products sold was primarily due to higher sales volume which resulted in additional material costs of $3.3 million, including higher LIFO expense of $1.6 million versus the second quarter 2009 which benefited from a $1.1 million liquidation of LIFO quantities due to reduced inventory levels. Partially offsetting the increases was lower healthcare expense of $864,000 due to reduced medical costs.

Selling, General and Administrative Expenses (SG&A)

	Three Months Ended June 30,			
(Thousands of dollars)	2010	2009	$ Change	% Change
Selling, general and administrative expenses (SG&A)	$ 8,375	$ 8,790	$ (415)	(4.7)%
% of Net sales	*11.6%*	*12.9%*		

The decrease in SG&A expenses is principally due to lower professional fees of $258,000 resulting from reduced legal fees, and lower healthcare expense of $231,000 due to reduced medical costs.

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PART I CONTINUED
ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS CONTINUED
Other Expense

	Three Months Ended June 30,			
(Thousands of dollars)	2010	2009	$ Change	% Change
Other expense	$ 412	$ (58)	$ 470	810.3%
% of Net sales	*0.6%*	*0.1%*		

The increase in other expense is due to higher foreign currency exchange rate losses of $257,000 related primarily to the decrease in the value of the Euro, and to losses on disposal of assets of $246,000 primarily related to the former Mansfield Division facilities and the write-down in value of the portion of the former facilities which is currently available for sale.

Net Income

	Three Months Ended June 30,			
(Thousands of dollars)	2010	2009	$ Change	% Change
Income before income taxes	$ 8,511	$ 7,202	$ 1,309	18.2%
% of Net sales	*11.8%*	*10.5%*		
Income taxes	$ 2,855	$ 2,335	$ 520	22.3%
Effective tax rate	*33.5%*	*32.4%*		
Net income	$ 5,656	$ 4,867	$ 789	16.2%
% of Net sales	*7.8%*	*7.1%*		
Earnings per share	$ 0.34	$ 0.29	$ 0.05	17.2%

The increase in the effective tax rate of 1.1 percentage points during the second quarter of 2010 compared to the same period in 2009 was due primarily to the inclusion of the research and development tax credit in the 2009 provision. This credit has not yet been extended for 2010.

Six Months 2010 Compared to Six Months 2009
Net Sales

	Six Months Ended June 30,			
(Thousands of Dollars)	2010	2009	$ Change	% Change
Net sales	$ 138,166	$ 139,943	$ (1,777)	(1.3)%

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PART I CONTINUED
ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS CONTINUED

The decrease in sales in the first six months of 2010 compared to the same period last year was due principally to declines in the OEM market of $2.9 million, the domestic fire protection market of $2.8 million, the government market of $1.9 million and the municipal market of $1.6 million. Partially offsetting these decreases were increases in the international fire protection market of $3.3 million, the rental market of $2.4 million and the industrial market of $1.7 million.

The backlog at June 30, 2010 was $105.0 million compared to $82.9 million at June 30, 2009, representing a 27% increase primarily due to an increase of orders in custom pump applications, the municipal market, the rental market and the international fire protection market, partially offset by a decline in orders for the OEM market.

Cost of Products Sold

	Six Months Ended June 30,			
(Thousands of Dollars)	2010	2009	$ Change	% Change
Cost of products sold	$ 105,431	$ 108,808	$ (3,377)	(3.1)%
% of Net sales	*76.3%*	*77.8%*		

The decrease in cost of products sold was due in part to lower sales volume which resulted in lower material cost of $1.0 million. This decrease is net of higher LIFO expense of $777,000 versus the first six months of 2009 which benefited from a $1.1 million liquidation of LIFO quantities due to reduced inventory levels. Manufacturing costs included decreases in warranty expense of $837,000 due to estimates related to lower sales volume and improved claims experience, compensation and payroll taxes of $742,000 due to slightly lower employment levels, and pension expense of $699,000 as a result of lower amortization expense due to the rebound in equity markets during 2009. In addition, healthcare expense decreased $661,000 due to reduced medical costs for active employees, and postretirement expense decreased $203,000 due to reduced medical costs for retired employees. Partially offsetting these decreases was increased depreciation expense of $968,000 primarily due to the consolidation and expansion of the Mansfield, Ohio facilities (the Mansfield facilities).

Selling, General, and Administrative Expenses (SG&A)

	Six Months Ended June 30,			
(Thousands of Dollars)	2010	2009	$ Change	% Change
Selling, general, and administrative expenses (SG&A)	$ 17,134	$ 17,778	$ (644)	(3.6)%
% of Net sales	*12.4%*	*12.7%*		

The decrease in SG&A expenses is principally due to lower professional fees of $493,000 resulting from reduced legal fees, and lower healthcare expense of $267,000 due to reduced medical costs.

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PART I CONTINUED
ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS CONTINUED
Other Income

	Six Months Ended June 30,			
(Thousands of Dollars)	2010	2009	$ Change	% Change
Other income	$ 137	$ 909	$ (772)	(84.9)%
% of Net sales	*0.1%*	*0.7%*		

The decrease in other income is primarily due to gain recognized on the sale of a product line in 2009 of $435,000 and reduced gain on disposal of assets of $224,000.

Other Expense

	Six Months Ended June 30,			
(Thousands of Dollars)	2010	2009	$ Change	% Change
Other expense	$ 528	$ 196	$ 332	169.4%
% of Net sales	*0.4%*	*0.1%*		

The increase in other expense is due to higher foreign currency exchange rate losses of $139,000 related primarily to the decrease in the value of the Euro, and to losses on disposal of assets of $246,000 primarily related to the former Mansfield Division facilities.

Net Income

	Six Months Ended June 30,			
(Thousands of Dollars)	2010	2009	$ Change	% Change
Income before income taxes	$ 15,210	$ 14,070	$ 1,140	8.1%
% of Net sales	*11.0%*	*10.1%*		
Income taxes	$ 5,057	$ 4,697	$ 360	7.7%
Effective tax rate	*33.2%*	*33.4%*		
Net income	$ 10,153	$ 9,373	$ 780	8.3%
% of Net sales	*7.3%*	*6.7%*		
Earnings per share	$ 0.61	$ 0.56	$ 0.05	8.9%

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PART I CONTINUED
ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS CONTINUED
Liquidity and Capital Resources

	Six Months Ended June 30,	
(Thousands of dollars)	2010	2009
Net cash provided by operating activities	$ 16,511	$ 27,147
Net cash used for investing activities	3,974	21,994
Net cash (used for) provided by financing activities	(19,157)	13,492

The Company s principal funding source generally is its cash generated from operations. As operations continued to improve from last year s severe recession, higher sales resulted in increased accounts receivable, accounts payable and commissions payable during the first six months of 2010. Inventories did not yet increase in line with sales due to lead times required for replenishment.

Investing activities for the six months ended June 30, 2010 primarily consisted of remaining capital expenditures related to the Mansfield facilities of $2.5 million and machinery and equipment additions of $1.9 million, a decrease of $19.2 million compared to the same period last year. Total capital expenditures of approximately $57.2 million for the Mansfield facilities, substantially completed in 2009, have been incurred as of June 30, 2010. Non-building capital expenditures are expected to be approximately $4 to $6 million for each of 2010 and 2011.

Financing activities for the six months ended June 30, 2010 consisted principally of the re-payment of the outstanding balance of $15.0 million on short-term debt used to partially finance the Mansfield facilities, and payments for dividends of $3.5 million. The ratio of current assets to current liabilities was 3.3 to 1 at June 30, 2010 and 3.0 to 1 at December 31, 2009.

The Company believes that cash on hand, combined with cash provided by operations and line of credit arrangements with banks, will continue to be sufficient to meet cash requirements, including capital expenditures and the payment of quarterly dividends.

Critical Accounting Policies

Our critical accounting policies are described in Item 7, *Management s Discussion and Analysis of Financial Condition and Results of Operations*, and in the notes to our Consolidated Financial Statements for the year ended December 31, 2009 contained in our Fiscal 2009 Annual Report on Form 10-K. Any new accounting policies or updates to existing accounting policies as a result of new accounting pronouncements have been discussed in the notes to our Consolidated Financial Statements in this Quarterly Report on Form 10-Q. The application of our critical accounting policies may require management to make judgments and estimates about the amounts reflected in the Consolidated Financial Statements. Management uses historical experience and all available information to make these estimates and judgments, and different amounts could be reported using different assumptions and estimates.

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PART I CONTINUED

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS CONTINUED

Safe Harbor Statement

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, The Gorman-Rupp Company provides the following cautionary statement: Certain statements in this section and elsewhere herein contain various forward-looking statements and include assumptions concerning The Gorman-Rupp Company s operations, future results and prospects. These forward-looking statements are based on current expectations about important economic, political, and technological factors, among others, and are subject to risk and uncertainties, the absence of which could cause the actual results or events to differ materially from those set forth in or implied by the forward-looking statements and related assumptions.

Such factors include the following: (1) continuation of the current and projected future business environment, including interest rates and capital and consumer spending; (2) competitive factors and competitor responses to Gorman-Rupp initiatives; (3) successful development and market introductions of anticipated new products; (4) stability of government laws and regulations, including taxes; (5) stable governments and business conditions in emerging economies; (6) successful penetration of emerging economies; and (7) continuation of the favorable environment to make acquisitions, domestic and foreign, including regulatory requirements and market values of candidates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES OF MARKET RISK

The Company s foreign operations do not involve material risks due to their relative size, both individually and collectively. The Company is not exposed to material market risks as a result of its diversified export sales. Export sales generally are denominated in U.S. Dollars and made on open account or under letters of credit.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. The Company s disclosure controls and procedures are also designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act of 1934 is accumulated and communicated to the Company s Management, including the principal executive officer and the principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

An evaluation was carried out under the supervision and with the participation of the Company s Management, including the principal executive officer and the principal financial officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of the end of the period covered by this report on Form 10-Q. Based on that evaluation, the principal executive officer and the principal financial officer have concluded that the Company s disclosure controls and procedures were effective as of June 30, 2010.

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PART I CONTINUED

ITEM 4. CONTROLS AND PROCEDURES CONTINUED

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company s disclosure controls and procedures that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting. Subsequent to the date of the evaluation, there have been no significant changes in the Company s disclosure controls and procedures that could significantly affect the Company s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no material changes from the legal proceedings previously reported in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

ITEM 1A. RISK FACTORS

There are no material changes from the risk factors previously reported in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

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ITEM 6. EXHIBITS
(a) Exhibits

Exhibits 3 and 4	(articles of incorporation) are incorporated herein by this reference from Exhibits (3) and (4) of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.
Exhibits 3, 4 and 10	(by-laws; instruments defining the rights of security holders, including indentures; and material contracts) are incorporated herein by this reference from Exhibits (3), (4) and (10) of the Company s Annual Report on Form 10-K for the year ended December 31, 2005.
Exhibit 31.1	Certification of Jeffrey S. Gorman, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Wayne L. Knabel, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32	Certification pursuant to 18 U.S.C Section 1350, as adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Gorman-Rupp Company
(Registrant)

Date: July 29, 2010

By: /s/ Wayne L. Knabel
Wayne L. Knabel
Chief Financial Officer