GORMAN RUPP CO
Form DEF 14A
March 22, 2019

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
(Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:
Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to §240.14a-12

The Gorman-Rupp Company
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(3) Filing Party:
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THE GORMAN-RUPP COMPANY

Notice of 2019 Annual Meeting of Shareholders

600 South Airport Road Mansfield, OH 44903	April 25, 2019 10:00 a.m. Eastern Time

Items of Business

1. Fix the number of Directors of the Company at seven and to elect seven 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 the independent registered public accounting firm for the Company during the year ending December 31, 2019; and

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

Record Date
Close of business on March 4, 2019

Important Notice Regarding the Internet Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on April 25, 2019 — This Notice of Annual Meeting of Shareholders, Proxy Statement and related Proxy Card and the Company's 2018 Annual Report to Shareholders are available at http://www.proxyvote.com. To access the proxy materials you will need to enter the 16-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 Annual Meeting.

By Order of the Board of Directors

BRIGETTE A. BURNELL
General Counsel and Corporate
Secretary

March 22, 2019

Summary of Annual Meeting Proposals

This summary highlights information contained elsewhere in this Proxy Statement. It does not contain all of the information you should consider. You should read the entire Proxy Statement before voting.

	Proposal	Recommendation of the Board
1.	Election of Directors Seven Director Nominees: Jeffrey S. Gorman, President and Chief Executive Officer M. Ann Harlan (Independent) Thomas E. Hoaglin (Independent) Christopher H. Lake (Independent) Sonja K. McClelland (Independent) Kenneth R. Reynolds (Independent) Rick R. Taylor (Independent) Director Term: One Year Director Election: Plurality of votes cast	FOR each of the nominees
2.	Advisory Vote on the Compensation of the Company's Named Executive Officers Compensation Highlights: Pay for Performance: Yes Recoupment Policy: Yes Prohibit Pledging and Hedging: Yes Utilize Performance-Based Restricted Shares: Yes	FOR
3.	Ratification of Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm	FOR

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PROXY STATEMENT
March 22, 2019

SOLICITATION AND REVOCATION OF PROXIES

This Proxy Statement is being furnished to shareholders of The Gorman-Rupp Company (the “Company”) in connection with the solicitation by the Board of Directors of the Company (the “Board of Directors” or “Board”) of proxies for use at the Annual Meeting of the Shareholders (the “Meeting”) to be held at the Company’s Corporate Headquarters, 600 South Airport Road, Mansfield, Ohio, at 10:00 a.m., Eastern Time, on Thursday, April 25, 2019. Holders of Common Shares of record at the close of business on March 4, 2019 are the only shareholders entitled to notice of and to vote at the Meeting.

A shareholder, without affecting any vote previously taken, may revoke their proxy by the execution and delivery to the Company of a later-dated proxy with respect to the same shares, or by giving notice of revocation to the Company in writing or at the 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 4, 2019, the record date for the determination of persons entitled to vote at the Meeting, there were 26,117,045 Common Shares outstanding. Each Common Share is entitled to one vote on each proposal.

The mailing address of the principal executive office of the Company is P.O. Box 1217, Mansfield, Ohio 44901-1217. This Proxy Statement and accompanying proxy card are being mailed to shareholders on or about March 22, 2019.

A quorum will be present at the Meeting if there are present, in person or by proxy, shareholders of record entitled to exercise at least 50% of the voting power of the Company with respect to at least one of the purposes for which the Meeting was called.

With respect to the election of Directors (Proposal No. 1), the seven nominees receiving the greatest number of votes will be elected. Abstentions and broker non-votes will not be voted for or withheld from the election of directors and thus will have no effect on the election of directors.

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 the shareholder possesses at such election. Under cumulative voting, a shareholder controls voting power equal to the number of votes which the shareholder 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 the shareholder 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.

With respect to the advisory vote to approve the compensation of the Company’s named Executive Officers (Proposal No. 2), and the ratification of the independent registered public accounting firm (Proposal No. 3), the affirmative vote of a majority of the votes cast is necessary to approve each such proposal. Abstentions and broker non-votes will not be voted for or against such proposals and will not be counted in the number of votes cast on such proposals.

Brokerage firms have the authority to vote shares on certain "routine" matters when their customers do not provide voting instructions. However, on other matters, when the brokerage firm has not received voting instructions from its customers, the brokerage firm cannot vote the shares on that matter and a "broker non-vote" occurs. Proposal No. 3 is a routine matter, but the other proposals in this Proxy Statement are non-routine matters.

Our Board of Directors recommends that you vote
FOR the election of each of the 2019 director nominees

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 seven and for the election of the nominees named below. Each of the nominees, with the exception of Ms. Sonja K. McClelland, is presently a Director of the Company.

Each of the Director nominees has indicated a willingness to serve if elected. However, 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 equal to the number of available Board-designated nominees or for the election of a substitute nominee or nominees designated by the Board of Directors, in the discretion of the persons appointed as proxy holders. If cumulative voting in the election of directors is invoked at a time when any of the nominees become unavailable, unless contrary instructions are given by a shareholder who signs a proxy, all votes represented by such proxy will be divided evenly among the available candidates nominated by the Board, except that, the proxies may be voted cumulatively for less than the entire number of candidates nominated by the Board if any situation arises which, in the opinion of the proxy holders, makes such action necessary or desirable.

On January 23, 2019, James C. Gorman and W. Wayne Walston each notified the Company of their intent not to stand for re-election as Directors at the Meeting, at which time their respective terms as Directors will expire.

Director Nominees

Jeffrey S. Gorman Age: 66 Director of the Company since 1989 President and Chief Executive Officer	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 Gorman-Rupp Pumps USA 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 Bank, Mansfield, Ohio and former Chairman of the Ohio Chamber of Commerce.

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

M. Ann Harlan Age: 59 Director of the Company since 2009 Independent	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. From January 1998 to January 2011, 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 (“SEC”) and the Sarbanes-Oxley Act of 2002. In addition, Ms. Harlan serves on the Board of Directors of Cleveland Cliffs Inc., a NYSE listed mining company (CLR), the Board of University Hospitals Health System, Inc., and the Board of Directors of FlavorX, a privately held supplier of flavorings.

From 2012 until 2019, she was a member of the Advisory Board of Gates Group Capital Partners. From 2010 until its sale to Archer Daniels Midland in 2015, Ms. Harlan was also a Director of Eatem Foods Company.

Ms. Harlan has 13 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 public company governance issues, audit matters, executive compensation and equity compensation plan development and administration as well as human resources issues.

Thomas E. Hoaglin Age: 69 Director of the Company since 1993 and previously served as a Director from 1986 - 1989 Independent	Thomas E. Hoaglin served as Chairman, President and Chief Executive Officer of Huntington Bancshares, Inc., a publicly-traded financial institution, from 2001 to January 2009 and retired in February 2009. Mr. Hoaglin is currently a Director of American Electric Power Company, Inc., a NYSE publicly traded electric utility holding company, where he is the Lead Independent Director, Chair of the Committee on Directors and Corporate Governance and also serves on the Audit Committee, Executive Committee and Policy Committee. Mr. Hoaglin is a Director of The Jeffrey Company and serves as member of the National Association of Corporate Directors Nominating and Governance Committee Chair Advisory Council.

Mr. Hoaglin qualifies as an “audit committee financial expert” under SEC rules, in connection with his 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 Age: 54 Director of the Company since 2000 Independent	Christopher H. Lake has been 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 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.

Sonja K. McClelland Age: 47 Independent	Sonja K. McClelland is the Executive Vice President, Secretary, Treasurer and Chief Financial Officer of Hurco Companies, Inc. (“Hurco”), a NASDAQ publicly-traded international industrial technology company that designs, manufactures and sells computerized machine tools. Ms. McClelland has worked for Hurco in various finance and accounting roles since September 1996 most recently serving as Executive Vice President since 2017; Secretary, Treasurer and Chief Financial Officer since March 2014 and Principal Financial and Accounting Officer since her appointment to Corporate Controller and Assistant Secretary in November 2004. Prior to joining Hurco, Ms. McClelland was employed by an international public accounting firm following her graduation from college.

Ms. McClelland is a senior financial executive with 26 years of experience in public accounting and financial reporting responsibilities and qualifies as an “audit committee financial expert” under SEC rules for service on the Audit Committee. She is a versatile business professional with a diverse background in corporate accounting and finance, manufacturing operations, investor relations, strategic planning, acquisitions and divestitures, complex international organizational structures, transfer-pricing and international tax strategies, foreign currency risk management, SEC reporting, compliance risk management, systems implementations, and corporate governance matters.

Kenneth R. Reynolds Age: 60 Director of the Company since 2014 Independent	Kenneth R. Reynolds serves on the Board of Directors of Ariel Corporation in addition to being the company's Executive Vice President and Treasurer. He previously served as its Chief Financial Officer from 1997 to 2016. Ariel has been a major designer and manufacturer of a wide variety of compressors for diverse global petroleum markets for over 50 years. Its compressors are in service worldwide in refineries, gas fields, pipeline service and gas gathering, making it a world leader in gas compression. Previously, Mr. Reynolds, a Certified Public Accountant, was a partner with a regional public accounting firm which he joined following his college graduation.

Mr. Reynolds has over 30 years of financial systems management and reporting experience and qualifies as an "audit committee financial expert" under SEC rules for service on the Audit Committee. Additionally, Mr. Reynolds has extensive international Fortune 500 customer experience with major petroleum producers and capital goods manufacturers.

Rick R. Taylor Age: 71 Director of the Company since 2003 Independent	Rick R. Taylor has been President of Jay Industries, Inc., a Tier 1 automotive parts manufacturer, since 1985, and Chief Executive Officer of Nanogate- North America LLC, the U.S. subsidiary of Nanogate A.G., a German company that develops high-tech surfaces and components, since 2018. Jay Industries also is a Tier 2 parts manufacturer for several other industrial companies. In addition, Mr. Taylor has been President of Longview Steel Corporation, a steel wholesaler, since 1999. 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 and the Risk Committee.

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

NON-EMPLOYEE DIRECTOR COMPENSATION

The Compensation Committee is charged with oversight and periodic review of Non-Employee Director compensation and with recommending any changes to the entire Board of Directors. Directors who are employees of the Company (Messrs. J. C. Gorman and J. S. Gorman) do not receive any compensation for service as Directors. Non-Employee Directors are compensated by the Company for their services as Directors through a combination of annual cash retainers and stock awards.

The Company's Non-Employee Directors compensation for 2018 consisted of annual cash retainers of $53,000 each and stock awards of 1,500 shares each effective as of July 2, 2018. To reflect their additional responsibilities, Chairs of the Compensation Committee and Governance and Nominating Committee received an additional retainer fee of $4,000, and the Chair of the Audit Committee received an additional retainer fee of $8,000. The Lead Independent Director received an additional retainer fee of $5,000.

The Company has a stock ownership guidelines policy for its Non-Employee Directors to encourage meaningful stock ownership in the Company. The policy requires each Non-Employee Director to own shares of stock equal in value to five times his or her annual cash retainer, and prohibits most sales of shares unless the applicable minimum stock ownership requirement is met.

Non-Employee Director Compensation Table

The table below summarizes the total compensation paid for service by each of the Non-Employee Directors of the Company for the year 2018.

Name	Fees Earned or Paid in Cash	Stock Awards (1)	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
M. Ann Harlan	$62,000(2)	$ 51,825	$ -	$ -	$ -	$ -	$113,825
Thomas E. Hoaglin	61,000(3)	51,825	-	-	-	-	112,825
Christopher H. Lake	57,000(4)	51,825	-	-	-	-	108,825
Kenneth R. Reynolds	53,000	51,825	-	-	-	-	104,825
Rick R. Taylor	53,000	51,825	-	-	-	-	104,825
W. Wayne Walston	53,000	51,825	-	-	-	-	104,825

1) Each Non-Employee Director received an award of 1,500 Common Shares (from the Company's treasury shares) under The Gorman-Rupp Company 2016 Non-Employee Directors' Compensation Plan. Each award of 1,500 Common Shares was made effective as of July 2, 2018 and had a market value of $51,825 as of the grant date, computed in accordance with FASB ASC Topic 718.

2) Includes additional retainer fees of $4,000 for Ms. Harlan's service as Chair of the Governance and Nominating Committee and $5,000 for her service as Lead Independent Director.

3) Includes additional retainer fees of $8,000 for Mr. Hoaglin’s service as Chair of the Audit Committee.

4) Includes additional retainer fees of $4,000 for Mr. Lake’s service as Chair of the Compensation Committee.

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 and SEC rules, or by other regulatory or legislative bodies as may be applicable to the Company. The Board, on an annual basis, makes a determination as to the independence of each Director in accordance with applicable listing standards, rules and regulations. In general, “independent” means that a Director has no “material relationship” with the Company or any of its subsidiaries, other than through his or her service as a Director. The existence of a material relationship must be determined based 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 in connection with the Director’s duties.

The Board has approved Corporate Governance Guidelines and a Code of Ethics to provide guidance for the governance of the Company. The Governance and Nominating Committee is responsible for monitoring these guidelines and code of ethics and reviews them on an annual basis and, subject to Board approval, makes such revisions as may be necessary or appropriate to reflect new regulatory requirements and evolving corporate governance practices. The Corporate Governance Guidelines and Code of Ethics are available in their entirety on the Company’s website at http://www.gormanrupp.com.

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 current independence standards of the NYSE and SEC corporate governance requirements for listed companies, and have no relationships or transactions required to be reported by Item 404 of Regulation S-K.

During 2018, a total of 5 regularly scheduled meetings of the Board of Directors (at least one each quarter) and a total of 16 meetings of all standing Directors’ Committees were held. All Directors attended at least 75% of the aggregate number of meetings held by the Board of Directors and the respective Committees on which they served. In 2018, the “independent” Directors met at every regularly scheduled meeting of the Board of Directors in executive session without the presence of the non-independent Directors and any members of the Company’s management. The Lead Independent Director, who is currently M. Ann Harlan, generally presides at these non-management executive sessions Members of the Board of Directors are expected to attend the Company’s Annual Meeting of Shareholders, and all Directors were in attendance at the Annual Meeting in 2018.

At the April 26, 2018 annual reorganizational meeting of the Board of Directors, M. Ann Harlan was re-elected by the independent Directors as Lead Independent Director, to serve for an additional one year term. 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 completes annual performance evaluations of the Board, as well as the Audit Committee, the Compensation Committee, and the Governance and Nominating Committee, to assist in determining whether the Board and its Committees are functioning effectively. Annually, the Board and each of its Committees complete self-evaluations and review and discuss the results. The Governance and Nominating Committee oversees this process.

The Board of Directors has three separately designated standing Committees: (1) Audit Committee; (2) Compensation Committee; and (3) Governance and Nominating Committee. 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. Complete copies of each Committee charter are available on the Company's website at http://www.gormanrupp.com.

The table below shows current members of each of the Committees and the number of meetings held by each standing Committee in 2018.

Name	Audit Committee	Compensation Committee	Governance and Nominating Committee
M. Ann Harlan			Chair
Thomas E. Hoaglin	Chair		
Christopher H. Lake		Chair	
Kenneth R. Reynolds			
Rick R. Taylor			
W. Wayne Walston(1)			
Number of Meetings	6	5	5

(1) Mr. Walston is not standing for re-election as a Director at the Meeting.

Audit Committee

The principal functions of the Audit Committee include the authority and responsibility to:

Engage the Company's independent registered public accounting firm and review the scope of the audit of the Company's consolidated financial statements;

Approve fees to be paid to the independent registered accounting firm for the agreed-upon-services;

Consider comments made by the independent registered public accountants with respect to internal controls and financial reporting and related actions taken by management;

Review internal accounting systems, procedures and controls with the Company's internal auditor and financial staff;

Review any non-audit services provided by the independent registered public accounting firm;

Provide organizational oversight of the Company's enterprise risk management plan; and

Oversee the Company's internal audit function, including approving the annual internal audit plan.

Compensation Committee

The principal functions of the Compensation Committee include the authority and responsibility to:

Evaluate, develop and monitor compensation policies and programs for the Company's officers and Non-Employee Directors;

Recommend the salaries, profit sharing and long-term incentive compensation for the officers; and

Oversee the administration, funding and investment performance of the defined benefit pension plan and the defined contribution retirement plans of the Company.

A more comprehensive description of the Compensation Committee's functions regarding the consideration and determination of officer compensation is set forth under the caption "Compensation Discussion and Analysis."

Governance and Nominating Committee

The principal functions of the Governance and Nominating Committee include the authority and responsibility to:

Identify, evaluate and recommend individuals for nomination as members of the Board of Directors;

Develop a succession plan for the Company's Chief Executive Officer and other Executive Officers;

Develop a succession plan for other corporate officers and operating executives;

Oversee the annual evaluation of the performance of the Board and its Committees;

Periodically review the Board Committees' charters and the Corporate Governance Guidelines for compliance with evolving regulations and Board-desired corporate goals; and

Monitor the availability of training and professional education programs suitable for Directors for enhancement of their Board and Committee responsibilities.

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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 has not specified any particular set of skills, qualities or diversities that is required 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 Governance and Nominating Committee. In addition, the candidate will be personally interviewed by one or more Governance and Nominating 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. Third-party search firms may be retained by the Board to identify individuals that meet the director candidate criteria established by the Governance and Nominating Committee. Ms. McClelland was identified and preliminarily evaluated by a third-party search firm retained by the Board.

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 functional risks is performed by specific Board Committees, e.g., financial reporting risks are overseen by the Audit Committee; personnel selection, evaluation, retention and compensation risks and benefit plan investment 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 each Committee's oversight are reported regularly to the entire Board of Directors.

Company Leadership Organization

With respect to the roles of Board Chairman and Chief Executive Officer, the Corporate Governance Guidelines provide that the roles may be separated or combined, and the Board exercises its discretion in combining or separating these positions as it deems appropriate in light of prevailing circumstances. Upon election of Mr. J.S. Gorman as Chief Executive Officer of the Company on 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. Pursuant to the Corporate Governance Guidelines, the Board believes that the combination or separation of these offices should continue to be considered as part of the succession planning process.

Related Party Transactions

The Company has no relationships or transactions required to be reported by Item 404 of Regulation S-K. Although the Company does not have a specific written policy regarding review, approval or ratification of related party transactions, the Company has a formal annual review process for such transactions at all locations, and the Board of Directors has the authority to review and approve all related party transactions defined as those transactions required to be disclosed under Item 404 of Regulation S-K. Review and approval of related party transactions also would be evidenced through the Company's Code of Ethics compliance, annual completion of the Company's Directors & Officers Questionnaires and discussion at Board meetings, or addressed in unanimous written actions in lieu of a Board meeting, if applicable.

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, 2018 and the assessment of the Company's internal controls over financial reporting with the Company's management and the Company's independent registered public accountants, Ernst & Young LLP;

(ii) The Audit Committee has discussed with the Company's independent registered public accountants the matters required to be discussed by Auditing Standard No. 1301, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board ("PCAOB");

(iii) The Audit Committee has received the written disclosures and the letter from the Company's independent registered public accountants required by PCAOB 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 SEC and PCAOB 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 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, 2018, to be filed with the SEC; 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, and two of the members (including the Chair) qualify as an "audit committee financial expert" in accordance with SEC rules.

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

Thomas E. Hoaglin, Chair
M. Ann Harlan
Christopher H. Lake
Kenneth R. Reynolds

Compensation Committee Interlocks and Insider Participation

Each of the following Directors served as a member of the Compensation Committee during the fiscal year ended December 31, 2018: Christopher H. Lake, Kenneth R. Reynolds, Rick R. Taylor and W. Wayne Walston. During 2018, no Company Executive Officer or Director was a member of the board of directors of any other company where the relationship would be construed to constitute a committee interlock within the meaning of the rules of the SEC.

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 following 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 2019 Annual Meeting of the Company's Shareholders.

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

Christopher H. Lake, Chair
Kenneth R. Reynolds
Rick R. Taylor
W. Wayne Walston

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis describes the Company's officer compensation program and how it applies to the Company's Chief Executive Officer and its other officers (collectively, the "Officers"), including its four named executive officers ("Executive Officers") identified in the Summary Compensation Table included in this Proxy Statement.

Overview

The Gorman-Rupp Company has a long and continuing focus on building profitability and consistently delivering increased value to our shareholders. To accomplish this goal, the Company's Officer compensation program is designed to encourage and reward leadership, initiative, teamwork and top-quality performances among the Officers.

The Compensation Committee (the "Committee") of the Board of Directors is authorized to:

- Review and evaluate the compensation policies and programs for the Officers;
- 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;
- Review and recommend the annual salaries, profit sharing and long-term incentive compensation determinations for the Executive Officers to the Board of Directors; and
- Review the compensation of Non-Employee Directors ("Directors") and submit any suggested recommendations for changes to the Directors for review.

Four 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 oversight, the Company has formulated a compensation philosophy that is intended to assure the provision of fair, competitive and performance-based compensation to the Officers. This philosophy reflects the belief that compensation of the Officers should be consistent with the Company's historical compensation practices, its culture, its profitability and its long-term shareholder value.

The implementation of the Company's Officer compensation 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 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 and equity-based compensation awards driven by the Company's results of operations and financial condition.

Elements of Compensation

The Company's Officer compensation program consists of four elements: base salary, profit sharing, performance-based share awards and a component of modest miscellaneous benefits. The Company has not entered into employment contracts with any of the Officers.

Ownership of the Company's Common Shares by the Officers has continually been considered a worthy goal within the Company to further align Officers' interests with those of Shareholders. Toward that end, the Company sponsors opportunities to purchase Common Shares, including a partial Company match, aimed at encouraging the Officers, and substantially all other employees, to voluntarily invest in the Common Shares.

The Company has a stock ownership guidelines policy which establishes minimum stock ownership requirements for its Officers, group presidents and other corporate and operating officers to encourage meaningful stock ownership in the Company. The policy requires each executive, operating president and designated key employees to own shares of stock equal in value ranging from multiples of one times to three times his or her base salary, and prohibits most sales of shares unless the applicable minimum stock ownership requirement is met.

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 based upon Equilar peer data, discussed below under “Annual Review”, and Company philosophy. Subsequently, actual salaries are adjusted periodically based on judgments of each person’s performance, qualifications, accomplishments and expected future contributions in his or her Officer role.

The Company intentionally relies to a significant 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 total Company profitability and shareholder value on a continuing, long-term basis.

Performance-Based Share Awards — Pursuant to The Gorman-Rupp Company 2015 Omnibus Incentive Plan (the “Incentive Plan”), long-term equity incentive compensation is an element of compensation used to enhance the Company’s compensation program in combination with its succession planning for key personnel and to further align the interests of award recipients with shareholders. Equity incentive compensation has also been selected to facilitate the accumulation of additional Company shares of stock by those most accountable for the Company’s operating results and shareholder value. Equity awards are typically conditioned upon achievement of appropriate performance metrics, however the Compensation Committee may from time to time grant service-based awards or unrestricted shares to certain employees. Recipients of grants of performance-based shares receive a target award of performance-based shares that vest at the end of a three year performance period, based on the levels of achievement of the performance goals established by the Compensation Committee, which may range from 0% to 150% of the target number of performance-based shares. The performance goals for these performance-based shares are based on targeted adjusted operating income growth and adjusted shareholders’ equity growth, weighted 50% each. The Committee believes the combination of these performance goals selected for the Incentive Plan provides an appropriate balance between earnings-related and growth goals while also focusing on shareholder value growth. Each vested performance-based share represents the right to receive one Common Share of the Company.

In determining the target amount of performance-based shares to be granted to our Executive Officers, the Compensation Committee takes into account several factors, including our Chief Executive Officer’s recommendation for the other Executive Officers, our short-term and long-term financial and strategic objectives, the Executive Officer’s relative job scope, individual performance history and prior and anticipated future contributions to the Company. After considering these factors, the Compensation Committee determines the amount of performance-based shares to be granted at levels it considers appropriate to create a meaningful opportunity for reward predicated on the creation of long-term stockholder value.

Under certain circumstances, including a restatement of financial results by the Company, the grantee may be required to return to the Company performance shares and/or pretax income derived from any disposition of shares previously received if the performance shares would not have been earned based upon the restated financial results.

The three-year performance period for performance-based shares granted to the Officers in 2016 concluded on December 31, 2018. The performance goals for the 2016-2018 performance period were based on targets for compound annual growth for adjusted operating income and adjusted shareholders’ equity, weighted 50% each. At the end of the performance period, the minimum threshold for adjusted operating income growth was met, but the minimum threshold for adjusted shareholders’ equity growth was not met. Accordingly, performance-based shares were awarded to the Officers at 25% of the target under the 2016 grants.

Other Compensation — The Officers receive a variety of 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. The Company also sponsors a defined benefit pension plan in which two of the Company's Executive Officers participate as explained under the caption "Pension Benefits."

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 partial cash matching contributions from the Company, 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.

Directors, Officers and certain other employees may not engage in hedging transactions related to the Company's securities, may not engage in short sales, may not purchase or sell put options, call options or other such derivative securities, and may not hold Company securities in a margin account or pledge Company securities as collateral for a loan.

Annual Reviews

In devising and maintaining the Company's Executive Officer compensation program, the Committee requests management to periodically provide data relevant to the compensation paid to officers holding equivalent positions or having similar responsibilities in a group of industrial peers. Such information is obtained from Equilar, a leading independent third-party provider of financial, executive and director compensation data, for their review. Equilar was used by the Company to obtain competitive compensation information from public proxy data for management and the Committee as a general reference to low, mean, median and high compensation ranges and for correlation to similar measures of operating profitability and total shareholder return. The Committee's current objective is for the Company's Executive Officers to be compensated at a total level of compensation commensurate with at least the 25th percentile of compensation of comparable capital goods manufacturing companies.

The Committee additionally evaluates the Executive Officers' progress assessments and the Company's financial performance in performing its compensation review responsibilities. The Committee also takes into account the outcome of prior shareholders' advisory votes on executive compensation. The Committee regularly consults with executive management and has the authority if needed to consult with outside accounting, legal and compensation advisors as appropriate in arriving at compensation recommendations, subject to approval by the Board of Directors.

Prior to the Company's July Board meeting, the Committee reviews with the Chief Executive Officer the recommended annual base salary for each of the Executive 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 the fact that a significant component of total compensation is variable, performance-based profit sharing. The Committee then reports the results of its Executive Officer compensation reviews and recommendations to the Board of Directors.

During July 2018, the Committee reviewed updated Equilar-provided peer information compensation details from 15 other capital goods manufacturing companies listed below, which peer group is unchanged from that used in 2017.

Alamo Group Inc.	Circor International, Inc.	Lydall, Inc.
Altra Industrial Motion Corporation	DMC Global Inc.	NN, Inc.
Ampco-Pittsburgh Corporation	Kadant Inc.	Perma-Pipe International Holdings, Inc.
Badger Meter, Inc.	Lawson Products, Inc.	Tennant Company
Broadwind Energy, Inc.	Lindsay Corporation	Twin Disc, Incorporated

These peer companies reflect similar size, with median revenue of approximately $515 million and annual revenue ranging from approximately $100 million to $1 billion, with The Gorman-Rupp Company ranking in the 33rd percentile in annual revenue. The Committee also took into account the favorable outcome of the shareholders' advisory vote on executive compensation at the Company's 2018 Annual Meeting of Shareholders. The Board, based on the Committee's recommendations, approved base salary increases for Executive Officers reflecting the Board's assessment of all the factors described above.

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 Executive 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 Executive Officers based on the respective Executive 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 Executive 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 and the Company’s prior profit sharing award history. The Committee then reports the results of its profit sharing reviews and recommendations for the Executive Officers to the Board of Directors for its consideration and approval.

During 2018, the Compensation Committee of the Board of Directors of the Company approved grants of performance-based shares for the Company’s Executive Officers as follows: Jeffrey S. Gorman —7,280 performance-based Common Shares; James C. Kerr — 5,460 performance-based Common Shares; and Brigette A. Burnell — 3,640 performance-based Common Shares. At the time of the 2018 grant, the Compensation Committee recognized that achievement of the three-year performance goals were expected to be very challenging, requiring significant growth from 2017 levels. The granted shares also may vest to a certain extent in the event of a Change of Control (as defined in the Incentive Plan) of the Company or the death, disability or retirement of the grantee.

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 two other Executive Officers for calendar years 2018, 2017, and 2016.

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)	2018	$460,417	$245,000	$200,000	-	-	$ 179,243	$ 9,134	$1,093,794
President and Chief	2017	432,500	202,000	200,000	-	-	119,093	8,232	961,825
Executive Officer	2016	408,333	166,000	-	-	-	120,721	7,168	702,222
James C. Kerr(6)	2018	272,500	175,000	150,000	-	-	-	24,093	621,593
Vice President and									
Chief Financial Officer	2017	254,167	140,000	150,000	-				