

CENTRAL SECURITIES CORP  
Form N-Q  
May 25, 2012

United States

Securities and Exchange Commission

Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF  
REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-00179

Central Securities Corporation

(Exact name of registrant as specified in charter)

630 Fifth Avenue, Eighth Floor

New York, N.Y. 10111

(Address of principal executive offices)

Registrant's telephone number including area code: 212-698-2020

Date of fiscal year end: December 31

Date of reporting period: March 31, 2012

Item 1. Schedule of Investments.

**CENTRAL SECURITIES CORPORATION****Statement of Investments****March 31, 2012****(Unaudited)****COMMON STOCKS 97.9%**

<u>Shares</u>		<u>Value</u>
	Banking and Finance 4.4%	
925,000	The Bank of New York Mellon Corporation	\$ 22,320,250
100,000	JPMorgan Chase & Co.	4,598,000
		26,918,250
	Commercial Services 1.3%	
413,712	Heritage-Crystal Clean, Inc. (a)	8,253,554
	Diversified Industrial 9.9%	
740,000	Brady Corporation Class A	23,939,000
200,000	General Electric Company	4,014,000
100,000	Precision Castparts Corporation	17,290,000
150,000	Roper Industries, Inc.	<u>14,874,000</u>
		<u>60,117,000</u>
	Energy 9.1%	
350,000	Canadian Oil Sands Ltd.	7,378,000
200,000	Devon Energy Corporation	14,224,000
2,000,000	GeoMet, Inc. (a)(b)	1,360,000
627,200	McMoRan Exploration Co. (a)	6,711,040
280,000	Murphy Oil Corporation	15,755,600
320,000	QEP Resources, Inc.	<u>9,760,000</u>
		55,188,640
	Health Care 2.5%	
100,000	Johnson & Johnson	6,596,000
100,000	Medtronic, Inc.	3,919,000
100,000	Merck & Co. Inc.	3,840,000
228,000	Vical Inc. (a)	<u>775,200</u>
		<u>15,130,200</u>
	Insurance 27.6%	
69,900	The Plymouth Rock Company, Inc. Class A (b)(d)	<u>167,760,000</u>

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	Retailing 2.3%	
20,000	Aerogroup International, Inc. (a)(d)	366,800
400,000	Tesco PLC ADR	6,396,000
220,000	Walgreen Co.	<u>7,367,800</u>
		14,130,600

<u>Shares</u>		Value
	Semiconductor 16.2%	
710,000	Analog Devices, Inc.	\$ 28,684,000
848,300	CEVA, Inc. (a)	19,264,893
1,490,000	Intel Corporation	41,891,350
1,400,000	Mindspeed Technologies, Inc. (a)	<u>8,918,000</u>
		98,758,243
	Software and Services 5.3%	
1,700,000	Convergys Corporation (a)	22,695,000
1,190,000	Xerox Corporation	<u>9,609,250</u>
		32,304,250
	Technology Hardware and Equipment 18.0%	
690,000	Agilent Technologies, Inc.	30,711,900
801,000	Coherent, Inc. (a)	46,722,330
630,000	Flextronics International Ltd. (a)	4,548,600
200,000	Motorola Solutions, Inc.	10,166,000
1,190,000	RadiSys Corporation (a)	8,806,000
3,000,000	Sonus Networks, Inc. (a)	<u>8,700,000</u>
		<u>109,654,830</u>
	Telecommunication Services 1.3%	
145,425	Primus Telecommunications Group, Inc. (a)	2,338,434
200,000	Vodafone Group Plc ADR	<u>5,534,000</u>
		<u>7,872,434</u>
	Total Common Stocks (cost \$310,957,261)	<u>596,088,001</u>

**PREFERRED STOCKS 0.3%**

	Energy 0.3%	
	GeoMet, Inc. Series A	
245,220	Convertible Redeemable Preferred Stock (b)(c)	<u>1,986,282</u>
	Total Preferred Stocks (cost \$2,027,220)	1,986,282
	Total Investments (cost \$312,984,481) (e) (98.2%)	598,074,283
	Cash, receivables and other assets less liabilities (1.8%)	<u>10,686,993</u>
	Net Assets (100%)	<u>\$ 608,761,276</u>

- (a) Non-dividend paying.
- (b) Affiliate as defined in the Investment Company Act of 1940.
- (c) Valued based on Level 2 Inputs – See Note 2.
- (d) Valued based on Level 3 Inputs – See Note 2.
- (e) Aggregate cost for Federal tax purposes is substantially the same.

See accompanying notes to statement of investments.

**CENTRAL SECURITIES CORPORATION**

**NOTES TO STATEMENT OF INVESTMENTS**

1. Security Valuation – Marketable common and preferred stocks are valued at the last or closing sale price or, if unavailable, at the closing bid price. Securities for which no ready market exists are valued at estimated fair value pursuant to procedures adopted by the Board of Directors.

As of March 31, 2012, the tax cost of investments was \$312,984,481. Net unrealized appreciation was \$285,089,802 consisting of gross unrealized appreciation and gross unrealized depreciation of \$328,623,060 and \$43,533,258, respectively.

2. Fair Value Measurements – The Corporation’s investments are categorized below in three broad hierarchical levels based on market price observability as follows:

- Level 1 – Quoted prices in active markets for identical investments;
- Level 2 – Other significant observable assumptions obtained from independent sources, for example, quoted prices for similar investments, or the use of models or other valuation methodologies;
- Level 3 – Significant unobservable inputs including the Corporation’s own assumptions based upon the best information available. Investments categorized as Level 3 include securities in which there is little, if any, market activity. The Corporation’s Level 3 investments consist of The Plymouth Rock Company, Inc. and Aerogroup International, Inc.

The designated Level for a security is not necessarily an indication of the risk associated with investing in that security.

The Corporation’s investments as of March 31, 2012 are classified as shown below:

	Level 1	Level 2	Level 3	Total
Common stocks	\$427,961,201	-	\$168,126,800	\$596,088,001
Preferred stocks	-	\$1,986,282	-	1,986,282
Total investments	\$427,961,201	\$1,986,282	\$168,126,800	\$598,074,283

The Corporation’s investment in GeoMet, Inc. Series A Preferred Stock will transfer from Level 1 to Level 2 if there are no actual market trades in the security on a valuation date. The security will transfer back to Level 1 if there are market trades on a subsequent valuation date. On March 31, 2012 and on December 31, 2011, this investment was considered Level 2, and its value was based on the closing bid price. There were no other transfers of investments

between Levels 1, 2 and 3 during the three months ended March 31, 2012. There was no change in the value of or purchases or sales of Level 3 investments during the period.

In valuing Level 3 investments, the Corporation's management considers the results of various valuation methods, which may include comparable company valuation analyses, discounted future cash flow models and recent transactions. Consideration is also given to corporate governance, marketability, professional appraisals of portfolio companies, company and industry results and outlooks, and general market conditions. The results of the valuation methods and the other information are considered by management, which recommends a value for each investment that it considers most appropriate in light of all the information available. All of the information used by management is subsequently presented to and discussed with the Corporation's Board of Directors, which selects the value. The determination of fair value involves subjective judgments. As a result, using fair value to price a security may result in a price materially different from the price used by other investors or the price that may be realized upon the actual sale of the security.



In valuing the Plymouth Rock Level 3 investment as of March 31, 2012, management used a number of significant unobservable inputs to develop a range of possible values for the investment. It used a comparable company approach that applied average market multiples from selected publicly traded companies to financial information from each of Plymouth Rock's major business segments. The market multiples used were price-to-book value, price-to-earnings and price-to-revenue. Management also used a discounted cash flow model based on a forecasted earnings growth rate ranging from 2.5%-4% and a weighted average cost of capital of 10%. Transactions in Plymouth Rock's shares were also considered. The values obtained from weighting the three methods described above (with greater weight given to the comparable company approach) were then discounted by 20% and 40% for the lack of marketability of the shares, which are rates management believes market participants would apply in estimating fair value. The resulting range of values, together with the underlying support, other information about Plymouth Rock's financial condition and results of operations and its industry outlook, were considered by management, which recommended a value for the investment. All of this information was subsequently considered by the Corporation's Directors, who selected the value.

Significant increases (decreases) in the value of the price-to-book value multiple, price-to-earnings multiple, price-to-revenue multiple and earnings growth rate in isolation would result in a higher (lower) range of fair value measurements. Significant increases (decreases) in the value of the discount for lack of marketability or weighted average cost of capital in isolation would result in a lower (higher) range of fair value measurements.

3. Restricted Securities - The Corporation from time to time invests in securities the resale of which is restricted. The Corporation does not have the right to demand registration of the restricted securities. On March 31, 2012, such investments had an aggregate value of \$168,126,800, which was equal to 27.6% of the Corporation's net assets. Investments in restricted securities at March 31, 2012, including acquisition dates and cost, were:

Company	Shares Security	Date Acquired	Cost
AeroGroup International, Inc.	20,000 Common Stock	6/14/05	\$ 11,719
The Plymouth Rock Company, Inc.	60,000 Class A Common Stock	12/15/82	1,500,000
The Plymouth Rock Company, Inc.	9,900 Class A Common Stock	6/9/84	692,986

## Item 2. Controls and Procedures.

(a) Disclosure Controls and Procedures. The Principal Executive and Financial Officers have concluded that the Registrant's Disclosure Controls and Procedures are effective based on their evaluation of the Disclosure Controls and Procedures as of a date within 90 days of the filing date of this report.

(b) Internal Control Over Financial Reporting. During the last fiscal quarter, there was no significant change in the Registrant's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

(a) Certifications.

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CENTRAL SECURITIES CORPORATION

By: /s/ Wilmot H. Kidd  
President

Date: May 25, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Wilmot H. Kidd  
President

Date: May 25, 2012

By: /s/ Lawrence P. Vogel  
Vice President and  
Treasurer

Date: May 25, 2012