

Edgar Filing: GABELLI EQUITY TRUST INC - Form 40-17G

GABELLI EQUITY TRUST INC

Form 40-17G

December 19, 2011

December 15, 2011

**VIA EDGAR**

Securities and Exchange Commission

100 F Street NE

Washington, D.C. 20549

RE: Gabelli 787 Fund, Inc.  
File No.: 811-22041  
The Gabelli Asset Fund  
File No.: 811-04494  
The Gabelli Dividend Growth Fund  
File No.: 811-09377  
Gabelli Capital Series Funds, Inc.  
File No.: 811-07644  
Comstock Funds, Inc.  
File No.: 811-05502  
The Gabelli Convertible and Income Securities Fund Inc.  
File No.: 811-05715  
Gabelli Equity Series Funds, Inc.  
File No.: 811-06367  
The Gabelli Equity Trust Inc.  
File No.: 811-04700  
The GDL Fund  
File No.: 811-21969  
The Gabelli Global Multimedia Trust Inc.  
File No.: 811-08476  
GAMCO Global Series Funds, Inc.  
File No.: 811-07896  
GAMCO Natural Resources, Gold & Income Trust by Gabelli  
File No.: 811-22216  
GAMCO International Growth Fund, Inc.  
File No.: 811-08560  
Gabelli Investor Funds, Inc.  
File No.: 811-07326  
The GAMCO Mathers Fund  
File No.: 811-01311  
The Gabelli Global Utility & Income Trust  
File No.: 811-21529  
The Gabelli Money Market Funds  
File No.: 811-06687  
The Gabelli Dividend & Income Trust  
File No.: 811-21423  
The Gabelli Utilities Fund  
File No.: 811-09397  
The Gabelli Utility Trust  
File No.: 811-09243  
The Gabelli Value Fund Inc.  
File No.: 811-05848

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GAMCO Gold Fund, Inc.

The GAMCO Westwood Funds

File No.: 811-08518

File No.: 811-04719

The GAMCO Growth Fund

The Gabelli Healthcare & Wellness<sup>Rx</sup> Trust

File No.: 811-04873

File No.: 811-22021

GAMCO Global Gold, Natural Resources & Income Trust <sup>by</sup>  
Gabelli

The Gabelli SRI Green Fund, Inc.

File No.: 811-21698

File No.: 811-22026

(the Funds )

The DIVIDEND Fund Inc.

File No.: 811-22607

Dear Staff Member:

Pursuant to Rule 17g-1(g)(1) under the Investment Company Act of 1940, as amended, enclosed for filing on behalf of the above-referenced Funds please find (i) one copy of their joint fidelity bond (the Joint Bond ) for the policy period from December 7, 2011 to December 7, 2012, such policy being maintained through Travelers-St. Paul Fire and Marine Insurance Company and Great American Insurance Company, (ii) a Secretary's Certificate certifying the resolutions adopted by each Fund's Board Members approving the amount, type, form and coverage of the Joint Bond and the portion of the premium to be paid by the Funds, as well as the amount of coverage for each Fund that would have been provided and maintained had each such Fund not been named as an insured under the Joint Bond and (iii) the Amended and Restated Joint Insured Agreement among the Funds and the other insureds on the Joint Bond.

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The Joint Bond premium allocation for these Funds has already been paid to cover the December 7, 2011 to December 7, 2012 policy period.

Very truly yours,

/s/ Helen A. Robichaud  
Helen A. Robichaud  
Assistant Secretary

Gabelli 787 Fund, Inc.  
The Gabelli Asset Fund  
Gabelli Capital Series Funds, Inc.  
Comstock Funds, Inc.  
Gabelli Equity Series Funds, Inc.  
GAMCO Global Series Funds, Inc.  
GAMCO Gold Fund, Inc.  
The GAMCO Growth Fund  
The Gabelli Healthcare & Wellness<sup>Rx</sup> Trust  
GAMCO International Growth Fund, Inc.  
Gabelli Investor Funds, Inc.  
The GAMCO Mathers Fund  
The Gabelli Money Market Funds  
The Gabelli SRI Green Fund, Inc.  
The Gabelli Value Fund Inc.  
The GAMCO Westwood Funds  
The DIVIDEND Fund Inc.  
Enclosures

The Gabelli Dividend Growth Fund  
The Gabelli Convertible and Income Securities Fund Inc.  
The Gabelli Dividend & Income Trust  
The Gabelli Equity Trust Inc.  
The GDL Fund  
GAMCO Global Gold, Natural Resources & Income Trust by Gabelli  
The Gabelli Global Multimedia Trust Inc.  
The Gabelli Global Utility & Income Trust  
The Gabelli Utilities Fund  
The Gabelli Utility Trust  
GAMCO Natural Resources, Gold & Income Trust by Gabelli

**POLICY COVER SHEET**

Job Name: XP3310D1 Print Date and Time: 12/12/11 21:01 File Number: 06170

Business Center / Original Business Unit: FINANCIAL AND PROFESSIONAL SERVICES

Policy Number: 468PB1741

Name of Insured: The Gabelli Asset Fund

Agency Number: 1062526

Department or Expense Center: 001

Underwriter: 1647310 Underwriting Team:

Data Entry Person: SUZY VONKUTZLEBEN

Date and Time: 12/12/11 11:30 003

**Special Instructions**

Policy Commencement Date: 12/07/11

THIS POLICY CONTAINS FORMS SELECTED THROUGH DOCUMENT SELECT

THE FOLLOWING SELECTED FORMS ARE NOT APPROVED ON THE FORMS STATUS TABLE FORM NBR EDITION CO STATE  
TRANS DATE

\* MEL1676 07.04 1 NY 2011-12-07\*

\* MEL2555 03.05 1 NY 2011-12-07\*

\* MEL3277 05.05 1 NY 2011-12-07\*

\* MEL4212 05.06 1 NY 2011-12-07\*

\* MEL6141 09.08 1 NY 2011-12-07\*

\* MEL7027 09.09 1 NY 2011-12-07\*

\* MEL7843 12.10 1 NY 2011-12-07\*

\* MEL7844 12.10 1 NY 2011-12-07\*

\* MEL7845 12.10 1 NY 2011-12-07\*

\* MEL7846 12.10 1 NY 2011-12-07\*

\* ND059 11.06 1 NY 2011-12-07\*

**IMPORTANT NOTICE - INDEPENDENT AGENT AND BROKER COMPENSATION**

**NO COVERAGE IS PROVIDED BY THIS NOTICE. THIS NOTICE DOES NOT AMEND ANY PROVISION OF YOUR POLICY. YOU SHOULD REVIEW YOUR ENTIRE POLICY CAREFULLY FOR COMPLETE INFORMATION ON THE COVERAGES PROVIDED AND TO DETERMINE YOUR RIGHTS AND DUTIES UNDER YOUR POLICY. PLEASE CONTACT YOUR AGENT OR BROKER IF YOU HAVE ANY QUESTIONS ABOUT THIS NOTICE OR ITS CONTENTS. IF THERE IS ANY CONFLICT BETWEEN YOUR POLICY AND THIS NOTICE, THE PROVISIONS OF YOUR POLICY PREVAIL.**

For information about how Travelers compensates independent agents and brokers, please visit [www.travelers.com](http://www.travelers.com), call our toll-free telephone number, 1-866-904-8348, or you may request a written copy from Marketing at One Tower Square, 2GSA, Hartford, CT 06183.

**HOW TO REPORT LOSSES, CLAIMS, OR POTENTIAL CLAIMS TO TRAVELERS**

**Reporting new losses, claims, or potential claims promptly can be critical. It helps to resolve covered losses or claims as quickly as possible and often reduces the overall cost. Prompt reporting:**

better protects the interests of all parties;

helps Travelers to try to resolve losses or claims more quickly; and

often reduces the overall cost of a loss or claim - losses or claims reported more than five days after they happen cost on average 35% more than those reported earlier.

**Report losses, claims, or potential claims to Travelers easily and quickly by fax, U S mail, or email.**

**FAX**

Use this number to report a loss, claim, or potential claim by fax toll free.

**1-888-460-6622**

**US MAIL**

Use this address to report a loss, claim, or potential claim by U S Mail.

**Bond-FPS Claims Department Travelers Mail Code NB08F 385 Washington Street Saint**

Paul, Minnesota 55102

EMAIL

Use this address to report a loss, claim, or potential claim by email.

**Pro.E&O.Claim.Reporting@SPT.com**

This is a general description of how to report a loss, claim, or potential claim under this policy or bond. This description does not replace or add to the terms of this policy or bond. The policy or bond alone determines the scope of coverage. Please read it carefully for complete information on coverage. Contact your agent or broker if you have any questions about coverage.

**INVESTMENT COMPANY BLANKET BOND**

**St. Paul Fire and Marine Insurance Company**

St. Paul, Minnesota 55102-1396 (A Stock Insurance Company, herein called Underwriter)

**DECLARATIONS BOND NO. 468PB1741**

**Item 1. Name of Insured (herein called Insured):**

The Gabelli Asset Fund

Principal Address:

One Corporate Center

Rye, NY 10580

*The hard copy of the bond issued by the Underwriter will be referenced in the event of a loss.*

Item 2. Bond Period from 12:01 a.m. on 12/07/11 to 12:01 a.m. on 12/07/2012 the effective date of the termination or cancellation of the bond, standard time at the Principal Address as to each of said dates.

Item 3. Limit of Liability

Subject to Sections 9, 10, and 12 hereof:

	Limit of Liability	Deductible Amount
Insuring Agreement A - FIDELITY	\$ 27,375,000	\$ 0
Insuring Agreement B - AUDIT EXPENSE	\$ 25,000	\$ 5,000
Insuring Agreement C - PREMISES	\$ 27,375,000	\$ 10,000
Insuring Agreement D - TRANSIT	\$ 27,375,000	\$ 10,000

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Insuring Agreement E - FORGERY OR ALTERATION	\$ 27,375,000	\$ 10,000
Insuring Agreement F - SECURITIES	\$ 27,375,000	\$ 10,000
Insuring Agreement G - COUNTERFEIT CURRENCY	\$ 27,375,000	\$ 10,000
Insuring Agreement H - STOP PAYMENT	\$ 25,000	\$ 5,000
Insuring Agreement I - UNCOLLECTIBLE ITEMS OF DEPOSIT	\$ 25,000	\$ 5,000
OPTIONAL COVERAGES ADDED BY RIDER:		
Insuring Agreement J - Computer Systems	\$ 27,375,000	\$ 10,000
Insuring Agreement K - Unauthorized Signatures	\$ 25,000	\$ 5,000
Insuring Agreement L - Telefacsimile	\$ 27,375,000	\$ 10,000
Insuring Agreement M - Automated Phone Systems	\$ 27,375,000	\$ 10,000
Insuring Agreement N - Voice Initiated Transactions	\$ 27,375,000	\$ 10,000

If Not Covered is inserted above opposite any specified Insuring Agreement or Coverage, such Insuring Agreement or Coverage and any other reference thereto in this bond shall be deemed to be deleted therefrom.

Item 4. Offices or Premises Covered - Offices acquired or established subsequent to the effective date of this bond are covered according to the terms of General Agreement A. All the Insured's offices or premises in existence at the time this bond becomes effective are covered under this bond except the offices or premises located as follows: N/A

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Item 5. The liability of the Underwriter is subject to the terms of the following endorsements or riders attached hereto: Endorsements or Riders No. 1 through

ICB011 Ed.02/10, ICB012 Ed.07/04, ICB013 Ed.07/04, ICB014 Ed.07/04, ICB016 Ed.07/04, ICB019 Ed.07/04, ICB026 Ed.07/04, ICB042 Ed.07/04, ICB057 Ed.04/05, MEL1676 Ed.07/04, MEL2555 Ed.03/05, MEL3277 Ed.05/05, MEL4212 Ed.05/06, MEL4276 Ed.05/06, MEL6141 Ed.09/08, MEL7027 Ed.09/09, MEL7843 Ed.12/10, MEL7844 Ed.12/10, MEL7845 Ed.12/10, MEL7846 Ed.12/10

Item 6. The Insured by the acceptance of this bond gives notice to the Underwriter terminating or canceling prior bonds or policy(ies) No.(s) 490PB2794 such termination or cancellation to be effective as of the time this bond becomes effective.

IN WITNESS WHEREOF, the Company has caused this bond to be signed by its President and Secretary and countersigned by a duly authorized representative of the Company.

**Countersigned: ST. PAUL FIRE AND MARINE INSURANCE COMPANY**

/s/ Brian MacLean, President

/s/ Wendy C. Skierven, Secretary

**Authorized Representative Countersigned At**

**Countersignature Date**

*The hard copy of the bond issued by the Underwriter will be referenced in the event of a loss.*

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**INVESTMENT COMPANY BLANKET BOND**

**The Underwriter, in consideration of an agreed premium, and subject to the Declarations made a part hereof, the General Agreements, Conditions and Limitations and other terms of this bond, agrees with the Insured, in accordance with the Insuring Agreements hereof to which an amount of insurance is applicable as set forth in Item 3 of the Declarations and with respect to loss sustained by the Insured at any time but discovered during the Bond Period, to indemnify and hold harmless the Insured for:**

**INSURING AGREEMENTS**

**(A) FIDELITY**

Loss resulting from any dishonest or fraudulent act(s), including Larceny or Embezzlement, committed by an Employee, committed anywhere and whether committed alone or in collusion with others, including loss of Property resulting from such acts of an Employee, which Property is held by the Insured for any purpose or in any capacity and whether so held gratuitously or not and whether or not the Insured is liable therefor.

Dishonest or fraudulent act(s) as used in this Insuring Agreement shall mean only dishonest or fraudulent act(s) committed by such Employee with the manifest intent:

- (a) to cause the Insured to sustain such loss; and
- (b) to obtain financial benefit for the Employee, or for any other Person or organization



intended by the Employee to receive such benefit, other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other employee benefits earned in the normal course of employment.

(B) AUDIT EXPENSE

Expense incurred by the Insured for that part of the costs of audits or examinations required by any governmental regulatory authority to be conducted either by such authority or by an independent accountant by reason of the discovery of loss sustained by the Insured through any dishonest or fraudulent act(s), including Larceny or Embezzlement, of any of the Employees. The total liability of the Underwriter for such expense by reason of such acts of any Employee or in which such Employee is concerned or implicated or with respect to any one audit or examination is limited to the amount stated opposite Audit Expense in Item 3 of the Declarations; it being understood, however, that such expense shall be deemed to be a loss sustained by the Insured through any dishonest or fraudulent act(s), including Larceny or Embezzlement, of one or more of the Employees, and the liability under this paragraph shall be in addition to the Limit of Liability stated in Insuring Agreement (A) in Item 3 of the Declarations.

(C) ON PREMISES

Loss of Property (occurring with or without negligence or violence) through robbery, burglary, Larceny, theft, holdup, or other fraudulent means, misplacement, mysterious unexplainable disappearance, damage thereto or destruction thereof, abstraction or removal from the possession, custody or control of the Insured, and loss of subscription, conversion, redemption or deposit privileges through the misplacement or loss of Property, while the Property is (or is supposed or believed by the Insured to be) lodged or deposited within any offices or premises located anywhere, except in an office listed in Item 4 of the Declarations or amendment thereof or in the mail or with a carrier for hire, other than an armored motor vehicle company, for the purpose of transportation.

Office and Equipment

- (1) loss of or damage to furnishings, fixtures, stationery, supplies or equipment, within any of the Insured's offices covered under this bond caused by Larceny or theft in, or by burglary, robbery or hold-up of, such office, or attempt thereat, or by vandalism or malicious mischief; or
- (2) loss through damage to any such office by Larceny or theft in, or by burglary, robbery or hold-up of, such office, or attempt thereat, or to the interior of any such office by vandalism or malicious mischief provided, in any event, that the Insured is the owner of such offices, furnishings, fixtures, stationery, supplies or equipment or is legally liable for such loss or damage always excepting, however, all loss or damage through fire.

(D) IN TRANSIT

Loss of Property (occurring with or without negligence or violence) through robbery, Larceny, theft, hold-up, misplacement, mysterious unexplainable disappearance, being lost or otherwise made away with, damage thereto or destruction thereof, and loss of subscription, conversion, redemption or deposit privileges through the misplacement or loss of Property, while the Property is in transit anywhere in the custody of any person or persons acting as messenger, except while in the mail or with a carrier for hire, other than an armored motor vehicle company, for the purpose of transportation, such transit to begin immediately upon receipt of such Property by the transporting person or persons, and to end immediately upon delivery thereof at destination.

(E) FORGERY OR ALTERATION

Loss through Forgery or alteration of or on:

- (1) any bills of exchange, checks, drafts, acceptances, certificates of deposit, promissory notes, or other written promises, orders or directions to pay sums certain in money, due bills, money orders, warrants, orders upon public treasuries, letters of credit; or
  
- (2) other written instructions, advices or applications directed to the Insured, authorizing or acknowledging the transfer, payment, delivery or receipt of funds or Property, which instructions, advices or applications purport to have been signed or endorsed by any:
  - (a) customer of the Insured, or
  
  - (b) shareholder or subscriber to shares, whether certificated or uncertificated, of any Investment Company, or
  
  - (c) financial or banking institution or stockbroker,but which instructions, advices or applications either bear the forged signature or endorsement or have been altered without the knowledge and consent of such customer, shareholder or subscriber to shares, or financial or banking institution or stockbroker; or
  
- (3) withdrawal orders or receipts for the withdrawal of funds or Property, or receipts or certificates of deposit for Property and bearing the name of the Insured as issuer, or of another Investment Company for which the Insured acts as agent, excluding, however, any loss covered under Insuring Agreement (F) hereof whether or not coverage for Insuring Agreement (F) is provided for in the Declarations of this bond.

Any check or draft (a) made payable to a fictitious payee and endorsed in the name of such fictitious payee or (b) procured in a transaction with the maker or drawer thereof or with one acting as an agent of such maker or drawer or anyone impersonating another and made or drawn payable to the one so impersonated and endorsed by anyone other than the one impersonated,

shall be deemed to be forged as to such endorsement.

Mechanically reproduced facsimile signatures are treated the same as handwritten signatures.

(F) SECURITIES

Loss sustained by the Insured, including loss sustained by reason of a violation of the constitution by-laws, rules or regulations of any Self Regulatory Organization of which the Insured is a member or which would have been imposed upon the Insured by the constitution, by-laws, rules or regulations of any Self Regulatory Organization if the Insured had been a member thereof,

(1) through the Insured s having, in good faith and in the course of business, whether for its own account or for the account of others, in any representative, fiduciary, agency or any other capacity, either gratuitously or otherwise, purchased or otherwise acquired, accepted or received, or sold or delivered, or given any value, extended any credit or assumed any liability, on the faith of, or otherwise acted upon, any securities, documents or other written instruments which prove to have been:

(a) counterfeited, or

(b) forged as to the signature of any maker, drawer, issuer, endorser, assignor, lessee, transfer agent or registrar, acceptor, surety or guarantor or as to the signature of any person signing in any other capacity, or

(c) raised or otherwise altered, or lost, or stolen, or

(2) through the Insured s having, in good faith and in the course of business, guaranteed in writing or witnessed any signatures whether for valuable consideration or not and whether or not such guaranteeing or witnessing is ultra vires the Insured, upon any transfers, assignments, bills of sale, powers of attorney, guarantees, endorsements or other obligations upon or in connection with any securities, documents or other written instruments and which pass or purport to pass title to such securities, documents or other written instruments; excluding losses caused by Forgery or alteration of, on or in those instruments covered under Insuring Agreement (E) hereof.

Securities, documents or other written instruments shall be deemed to mean original (including original counterparts) negotiable or non-negotiable agreements which in and of themselves represent an equitable interest, ownership, or debt, including an assignment thereof, which instruments are, in the ordinary course of business, transferable by delivery of such agreements with any necessary endorsement or assignment.

The word "counterfeited" as used in this Insuring Agreement shall be deemed to mean any security, document or other written instrument which is intended to deceive and to be taken for

an original.

Mechanically reproduced facsimile signatures are treated the same as handwritten signatures.

**(G) COUNTERFEIT CURRENCY**

Loss through the receipt by the Insured, in good faith, of any counterfeited money orders or altered paper currencies or coin of the United States of America or Canada issued or purporting to have been issued by the United States of America or Canada or issued pursuant to a United States of America or Canada statute for use as currency.

**(H) STOP PAYMENT**

Loss against any and all sums which the Insured shall become obligated to pay by reason of the liability imposed upon the Insured by law for damages:

For having either complied with or failed to comply with any written notice of any customer, shareholder or subscriber of the Insured or any Authorized Representative of such customer, shareholder or subscriber to stop payment of any check or draft made or drawn by such customer, shareholder or subscriber or any Authorized Representative of such customer, shareholder or subscriber, or

For having refused to pay any check or draft made or drawn by any customer, shareholder or subscriber of the Insured or any Authorized Representative of such customer, shareholder or subscriber.

**(I) UNCOLLECTIBLE ITEMS OF DEPOSIT**

Loss resulting from payments of dividends or fund shares, or withdrawals permitted from any customer's, shareholder's, or subscriber's account based upon Uncollectible Items of Deposit of a customer, shareholder or subscriber credited by the Insured or the Insured's agent to such customer's, shareholder's or subscriber's Mutual Fund Account; or loss resulting from an Item of Deposit processed through an Automated Clearing House which is reversed by the customer, shareholder or subscriber and deemed uncollectible by the Insured.

Loss includes dividends and interest accrued not to exceed 15% of the Uncollectible Items which are deposited.

This Insuring Agreement applies to all Mutual Funds with exchange privileges if all Fund(s) in the exchange program are insured by the Underwriter for Uncollectible Items of Deposit. Regardless of the number of transactions between Fund(s), the minimum number of days of deposit within the Fund(s) before withdrawal as declared in the Fund(s) prospectus shall begin from the date a deposit was first credited to any Insured Fund(s).

**GENERAL AGREEMENTS**

A. ADDITIONAL OFFICES OR EMPLOYEES CONSOLIDATION OR MERGER - NOTICE

(1) If the Insured shall, while this bond is in force, establish any additional office or offices, such offices shall be automatically covered hereunder from the dates of their establishment, respectively. No notice to the Underwriter of an increase during any premium period in the number of offices or in the number of Employees at any of the offices covered hereunder need be given and no additional premium need be paid for the remainder of such premium period.

(2) If an Investment Company, named as Insured herein, shall, while this bond is in force, merge or consolidate with, or purchase the assets of another institution, coverage for such acquisition shall apply automatically from the date of acquisition. The Insured shall notify the Underwriter of such acquisition within 60 days of said date, and an additional premium shall be computed only if such acquisition involves additional offices or employees.

B. WARRANTY

No statement made by or on behalf of the Insured, whether contained in the application or otherwise, shall be deemed to be a warranty of anything except that it is true to the best of the knowledge and belief of the person making the statement.

C. COURT COSTS AND ATTORNEYS FEES

(Applicable to all Insuring Agreements or Coverages now or hereafter forming part of this bond) The Underwriter will indemnify the Insured against court costs and reasonable attorneys fees incurred and paid by the Insured in defense, whether or not successful, whether or not fully litigated on the merits and whether or not settled, of any suit or legal proceeding brought against the Insured to enforce the Insured's liability or alleged liability on account of any loss, claim or damage which, if established against the Insured, would constitute a loss sustained by the Insured covered under the terms of this bond provided, however, that with respect to Insuring Agreement (A) this indemnity shall apply only in the event that:

- (1) an Employee admits to being guilty of any dishonest or fraudulent act(s), including Larceny or Embezzlement; or
- (2) an Employee is adjudicated to be guilty of any dishonest or fraudulent act(s), including Larceny or Embezzlement;
- (3) in the absence of (1) or (2) above an arbitration panel agrees, after a review of an agreed statement of facts, that an Employee would be found guilty of dishonesty if such Employee were prosecuted.

The Insured shall promptly give notice to the Underwriter of any such suit or legal proceedings and at the request of the Underwriter shall furnish it with copies of all pleadings and other papers therein. At the Underwriter's election the Insured shall permit the Underwriter to conduct the defense of such suit or legal proceeding, in the Insured's name, through attorneys of the Underwriter's selection. In such event, the Insured shall give all reasonable information and assistance which the Underwriter shall deem necessary to the proper defense of such suit or legal proceeding.

If the amount of the Insured's liability or alleged liability is greater than the amount recoverable under this bond, or if a Deductible Amount is applicable, or both, the liability of the Underwriter under this General Agreement is limited to the proportion of court costs and attorneys' fees incurred and paid by the Insured or by the Underwriter that the amount recoverable under this bond bears to the total of such amount plus the amount which is not so recoverable. Such indemnity shall be in addition to the Limit of Liability for the applicable Insuring Agreement or Coverage.

D. FORMER EMPLOYEE

Acts of an Employee, as defined in this bond, are covered under Insuring Agreement (A) only while the Employee is in the Insured's employ. Should loss involving a former Employee of the Insured be discovered subsequent to the termination of employment, coverage would still apply under Insuring Agreement (A) if the direct proximate cause of the loss occurred while the former Employee performed duties within the scope of his/her employment.

**THE FOREGOING INSURING AGREEMENTS AND GENERAL AGREEMENTS ARE**

**SUBJECT TO THE FOLLOWING CONDITIONS AND LIMITATIONS:**

SECTION 1. DEFINITIONS

The following terms, as used in this bond have the respective meanings stated in this Section:

(a) Employee means:

- (1) any of the Insured's officers, partners, or employees, and
- (2) any of the officers or employees of any predecessor of the Insured whose principal assets are acquired by the Insured by consolidation or merger with, or purchase of assets or capital stock of, such predecessor, and
- (3) **attorneys retained by the Insured to perform legal services for the Insured and the employees of such attorneys while such attorneys or employees of such attorneys are performing such services for the Insured, and**
- (4) **guest students pursuing their studies or duties in any of the Insured's offices, and**

- (5) **directors or trustees of the Insured, the investment advisor, underwriter (distributor), transfer agent, or shareholder accounting record keeper, or administrator authorized by written agreement to keep financial and/or other required records, but only while performing acts coming within the scope of the usual duties of an officer or employee or while acting as a member of any committee duly elected or appointed to examine or audit or have custody of or access to the Property of the Insured, and**
  
- (6) **any individual or individuals assigned to perform the usual duties of an employee within the premises of the Insured, by contract, or by any agency furnishing temporary personnel on a contingent or part-time basis, and**
  
- (7) **each natural person, partnership or corporation authorized by written agreement with the Insured to perform services as electronic data processor of checks or other accounting records of the Insured, but excluding any such processor who acts as transfer agent or in any other agency capacity in issuing checks, drafts or securities for the Insured, unless included under sub-section**
  
- (9) **hereof, and**
  
- (8) **those persons so designated in Section 15, Central Handling of Securities, and**
  
- (9) **any officer, partner, or Employee of:**
  - (a) **an investment advisor,**
  
  - (b) **an underwriter (distributor),**
  
  - (c) **a transfer agent or shareholder accounting record-keeper, or**
  
  - (d) **an administrator authorized by written agreement to keep financial and/or other required records, for an Investment Company named as Insured while performing acts coming within the scope of the usual duties of an officer or Employee of any investment Company named as Insured herein, or while acting as a member of any committee duly elected or appointed to examine or audit or have custody of or access to the Property of any such Investment Company, provided that only Employees or partners of a transfer agent, shareholder accounting record-keeper or administrator which is an affiliated person, as defined in the Investment Company Act of 1940, of an Investment Company named as Insured or is an affiliated person of the advisor, underwriter or administrator of such Investment Company, and which is not a bank, shall be included within the definition of Employee.**

Each employer of temporary personnel or processors as set forth in sub-sections (6) and (7) of Section 1(a) and their partners, officers and employees shall collectively be deemed to be one person for all the purposes of this bond, excepting, however, the last paragraph of Section

13. Brokers, or other agents under contract or representatives of the same general character shall not be considered Employees.

- (b) **Property** means money (i.e. currency, coin, bank notes, Federal Reserve notes), postage and revenue stamps, U.S. Savings Stamps, bullion, precious metals of all kinds and in any form and articles made therefrom, jewelry, watches, necklaces, bracelets, gems, precious and semi-precious stones, bonds, securities, evidences of debts, debentures, scrip, certificates, interim receipts, warrants, rights, puts, calls, straddles, spreads, transfers, coupons, drafts, bills of exchange, acceptances, notes, checks, withdrawal orders, money orders, warehouse receipts, bills of lading, conditional sales contracts, abstracts of title, insurance policies, deeds, mortgages under real estate and/or chattels and upon interests therein, and assignments of such policies, mortgages and instruments, and other valuable papers, including books of account and other records used by the Insured in the conduct of its business, and all other instruments similar to or in the nature of the foregoing including Electronic Representations of such instruments enumerated above (but excluding all data processing records) in which the Insured has an interest or in which the Insured acquired or should have acquired
- (c) **Forgery** means the signing of the name of another with intent to deceive; it does not include the signing of one's own name with or without authority, in any capacity, for any purpose.
- (d) **Larceny and Embezzlement** as it applies to any named Insured means those acts as set forth in Section 37 of the Investment Company Act of 1940.
- (e) **Items of Deposit** means any one or more checks and drafts. Items of Deposit shall not be deemed uncollectible until the Insured's collection procedures have failed.

**SECTION 2. EXCLUSIONS**

**THIS BOND, DOES NOT COVER:**



- (a) loss effected directly or indirectly by means of forgery or alteration of, on or in any instrument, except when covered by Insuring Agreement (A), (E), (F) or (G).
- (b) loss due to riot or civil commotion outside the United States of America and Canada; or loss due to military, naval or usurped power, war or insurrection unless such loss occurs in transit in the circumstances recited in Insuring Agreement (D), and unless, when such transit was initiated, there was no knowledge of such riot, civil commotion, military, naval or usurped power, war or insurrection on the part of any person acting for the Insured in initiating such transit.
- (c) loss, in time of peace or war, directly or indirectly caused by or resulting from the effects of nuclear fission or fusion or radioactivity; provided, however, that this paragraph shall not apply to loss resulting from industrial uses of nuclear energy.
- (d) loss resulting from any wrongful act or acts of any person who is a member of the Board of Directors of the Insured or a member of any equivalent body by whatsoever name known unless such person is also an Employee or an elected official, partial owner or partner of the Insured in some other capacity, nor, in any event, loss resulting from the act or acts of any person while acting in the capacity of a member of such Board or equivalent body.
- (e) loss resulting from the complete or partial non-payment of, or default upon, any loan or transaction in the nature of, or amounting to, a loan made by or obtained from the Insured or any of its partners, directors or Employees, whether authorized or unauthorized and whether procured in good faith or through trick, artifice fraud or false pretenses, unless such loss is covered under Insuring Agreement (A), (E) or (F).
- (f) loss resulting from any violation by the Insured or by any Employee:
  - (1) of law regulating (a) the issuance, purchase or sale of securities, (b) securities transactions upon Security Exchanges or over the counter market, (c) Investment Companies, or (d) Investment Advisors, or
  - (2) of any rule or regulation made pursuant to any such law.unless such loss, in the absence of such laws, rules or regulations, would be covered under Insuring Agreements (A) or (E).
- (g) loss of Property or loss of privileges through the misplacement or loss of Property as set forth in Insuring Agreement (C) or (D) while the Property is in the custody of any armored motor vehicle company, unless such loss shall be in excess of the amount

recovered or received by the Insured under (a) the Insured's contract with said armored motor vehicle company, (b) insurance carried by said armored motor vehicle company for the benefit of users of its service, and (c) all other insurance and indemnity in force in whatsoever form carried by or for the benefit of users of said armored motor vehicle company's service, and then this bond shall cover only such excess.

- (h) potential income, including but not limited to interest and dividends, not realized by the Insured because of a loss covered under this bond, except as included under Insuring Agreement (I).
- (i) all damages of any type for which the Insured is legally liable, except direct compensatory damages arising from a loss covered under this bond.
- (j) loss through the surrender of Property away from an office of the Insured as a result of a threat:
  - (1) to do bodily harm to any person, except loss of Property in transit in the custody of any person acting as messenger provided that when such transit was initiated there was no knowledge by the Insured of any such threat, or
  - (2) to do damage to the premises or Property of the Insured, except when covered under Insuring Agreement (A).
- (k) all costs, fees and other expenses incurred by the Insured in establishing the existence of or amount of loss covered under this bond unless such indemnity is provided for under Insuring Agreement (B).
- (l) loss resulting from payments made or withdrawals from the account of a customer of the Insured, shareholder or subscriber to shares involving funds erroneously credited to such account, unless such payments are made to or withdrawn by such depositors or representative of such person, who is within the premises of the drawee bank of the Insured or within the office of the Insured at the time of such payment or withdrawal or unless such payment is covered under Insuring Agreement (A).
- (m) any loss resulting from Uncollectible Items of Deposit which are drawn from a financial institution outside the fifty states of the United States of America, District of Columbia, and territories and possessions of the United States of America, and Canada.

### SECTION 3. ASSIGNMENT OF RIGHTS

This bond does not afford coverage in favor of any Employers of temporary personnel or of processors as set forth in sub-sections (6) and (7) of Section 1(a) of this bond, as

aforesaid, and upon payment to the Insured by the Underwriter on account of any loss through dishonest or fraudulent act(s) including Larceny or Embezzlement committed by any of the partners, officers or employees of such Employers, whether acting alone or in collusion with others, an assignment of such of the Insured's rights and causes of action as it may have against such Employers by reason of such acts so committed shall, to the extent of such payment, be given by the Insured to the Underwriter, and the Insured shall execute all papers necessary to secure to the Underwriter the rights herein provided for.

#### SECTION 4. LOSS - NOTICE - PROOF LEGAL PROCEEDINGS

This bond is for the use and benefit only of the Insured named in the Declarations and the Underwriter shall not be liable hereunder for loss sustained by anyone other than the Insured unless the Insured, in its sole discretion and at its option, shall include such loss in the Insured's proof of loss. At the earliest practicable moment after discovery of any loss hereunder the Insured shall give the Underwriter written notice thereof and shall also within six months after such discovery furnish to the Underwriter affirmative proof of loss with full particulars. If claim is made under this bond for loss of securities or shares, the Underwriter shall not be liable unless each of such securities or shares is identified in such proof of loss by a certificate or bond number or, where such securities or shares are uncertificated, by such identification means as agreed to by the Underwriter. The Underwriter shall have thirty days after notice and proof of loss within which to investigate the claim, but where the loss is clear and undisputed, settlement shall be made within forty-eight hours; and this shall apply notwithstanding the loss is made up wholly or in part of securities of which duplicates may be obtained. Legal proceedings for recovery of any loss hereunder shall not be brought prior to the expiration of sixty days after such proof of loss is filed with the Underwriter nor after the expiration of twenty-four months from the discovery

Discovery occurs when the Insured:

- (a) becomes aware of facts, or
  
- (b) receives written notice of an actual or potential claim by a third party which alleges that the Insured is liable under circumstances, which would cause a reasonable person to assume that a loss covered by the bond has been or will be incurred even though the exact amount or details of loss may not be then known.

#### SECTION 5. VALUATION OF PROPERTY

The value of any Property, except books of accounts or other records used by the Insured in the conduct of its business, for the loss of which a claim shall be made hereunder, shall be determined by the average market value of such Property on the business day next preceding the discovery of such loss; provided, however, that the value of any Property

replaced by the Insured prior to the payment of claim therefor shall be the actual market value at the time of replacement; and further provided that in case of a loss or misplacement of interim certificates, warrants, rights, or other securities, the production of which is necessary to the exercise of subscription, conversion, redemption or deposit privileges, the value thereof shall be the market value of such privileges immediately preceding the expiration thereof if said loss or misplacement is not discovered until after their expiration. If no market price is quoted for such Property or for such privileges, the value shall be fixed by agreement between the parties or

In case of any loss or damage to Property consisting of books of accounts or other records used by the Insured in the conduct of its business, the Underwriter shall be liable under this bond only if such books or records are actually reproduced and then for not more than the cost of blank books, blank pages or other materials plus the cost of labor for the actual transcription or copying of data which shall have been furnished by the Insured in order to reproduce such books and other records.

#### SECTION 6. VALUATION OF PREMISES AND FURNISHINGS

In case of damage to any office of the Insured, or loss of or damage to the furnishings, fixtures, stationery, supplies, equipment, safes or vaults therein, the Underwriter shall not be liable for more than the actual cash value thereof, or for more than the actual cost of their replacement or repair. The Underwriter may, at its election, pay such actual cash value or make such replacement or repair. If the underwriter and the Insured cannot agree upon such cash value or such cost of replacement or repair, such shall be determined by arbitration.

#### SECTION 7. LOST SECURITIES

If the Insured shall sustain a loss of securities the total value of which is in excess of the limit stated in Item 3 of the Declarations of this bond, the liability of the Underwriter shall be limited to payment for, or duplication of, securities having value equal to the limit stated in Item 3 of the Declarations of this bond.

If the Underwriter shall make payment to the Insured for any loss of securities, the Insured shall thereupon assign to the Underwriter all of the Insured's rights, title and interest in and to said securities.

With respect to securities the value of which do not exceed the Deductible Amount (at the time of the discovery of the loss) and for which the Underwriter may at its sole discretion and option and at the request of the Insured issue a Lost Instrument Bond or Bonds to effect replacement thereof, the Insured will pay the usual premium charged therefor and will indemnify the Underwriter against all loss or expense that the Underwriter may sustain because of the issuance of such Lost Instrument Bond or Bonds.

With respect to securities the value of which exceeds the Deductible Amount (at the time of discovery of the loss) and for which the Underwriter may issue or arrange for the issuance

of a Lost Instrument Bond or Bonds to effect replacement thereof, the Insured agrees that it will pay as premium therefor a proportion of the usual premium charged therefor, said proportion being equal to the percentage that the Deductible Amount bears to the value of the securities upon discovery of the loss, and that it will indemnify the issuer of said Lost Instrument Bond or Bonds against all loss and expense that is not recoverable from the Underwriter under the terms and conditions of this Investment Company Blanket Bond subject to the Limit of Liability hereunder.

#### **SECTION 8. SALVAGE**

In case of recovery, whether made by the Insured or by the Underwriter, on account of any loss in excess of the Limit of Liability hereunder plus the Deductible Amount applicable to such loss, from any source other than suretyship, insurance, reinsurance, security or indemnity taken by or for the benefit of the Underwriter, the net amount of such recovery, less the actual costs and expenses of making same, shall be applied to reimburse the Insured in full for the excess portion of such loss, and the remainder, if any, shall be paid first in reimbursement of the Underwriter and thereafter in reimbursement of the Insured for that part of such loss within the Deductible Amount. The Insured shall execute all necessary papers to secure to the Underwriter the rights provided for herein.

#### **SECTION 9. NON-REDUCTION AND NONACCUMULATION OF LIABILITY AND TOTAL LIABILITY**

At all times prior to termination hereof, this bond shall continue in force for the limit stated in the applicable sections of Item 3 of the Declarations of this bond notwithstanding any previous loss for which the Underwriter may have paid or be liable to pay hereunder; PROVIDED, however, that regardless of the number of years this bond shall continue in force and the number or premiums which shall be payable or paid, the liability of the Underwriter under this bond with respect to all loss resulting from:

- (a) any one act of burglary, robbery or holdup, or attempt thereat, in which no Partner or Employee is concerned or implicated shall be deemed to be one loss, or
- (b) any one unintentional or negligent act on the part of any other person resulting in damage to or destruction or misplacement of Property, shall be deemed to be one loss, or
- (c) all wrongful acts, other than those specified in (a) above, of any one person shall be deemed to be one loss, or
- (d) all wrongful acts, other than those specified in (a) above, of one or more persons (which dishonest act(s) or act(s) of Larceny or Embezzlement include, but are not

limited to, the failure of an Employee to report such acts of others) whose dishonest act or acts intentionally or unintentionally, knowingly or unknowingly, directly or indirectly, aid or aids in any way, or permits the continuation of, the dishonest act or acts of any other person or persons shall be deemed to be one loss with the act or acts of the persons aided, or

(e) any one casualty or event other than those specified in (a), (b), (c) or (d) preceding, shall be deemed to be one loss, and shall be limited to the applicable Limit of Liability stated in Item 3 of the Declarations of this bond irrespective of the total amount of such loss or losses and shall not be cumulative in amounts from year to year or from period to period.

Sub-section (c) is not applicable to any situation to which the language of sub-section (d) applies.

#### **SECTION 10. LIMIT OF LIABILITY**

With respect to any loss set forth in the PROVIDED clause of Section 9 of this bond which is recoverable or recovered in whole or in part under any other bonds or policies issued by the Underwriter to the Insured or to any predecessor in interest of the Insured and terminated or cancelled or allowed to expire and in which the period of discovery has not expired at the time any such loss thereunder is discovered, the total liability of the Underwriter under this bond and under other bonds or policies shall not exceed, in the aggregate, the amount carried hereunder on such loss or the amount available to the Insured under such other bonds or policies, as limited by the terms and conditions thereof, for any such loss if the latter amount be the larger.

#### **SECTION 11. OTHER INSURANCE**

If the Insured shall hold, as indemnity against any loss covered hereunder, any valid and enforceable insurance or suretyship, the Underwriter shall be liable hereunder only for such amount of such loss which is in excess of the amount of such other insurance or suretyship, not exceeding, however, the Limit of Liability of this bond applicable to such loss.

**SECTION 12. DEDUCTIBLE** The Underwriter shall not be liable under any of the Insuring Agreements of this bond on account of loss as specified, respectively, in sub-sections (a), (b), (c), (d) and (e) of Section 9, **NON-REDUCTION AND NON-ACCUMULATION OF LIABILITY AND TOTAL LIABILITY**, unless the amount of such loss, after deducting the net amount of all reimbursement and/or recovery obtained or made by the Insured, other than from any bond or policy of insurance issued by an insurance company and covering such loss, or by the Underwriter on account thereof prior to payment by the Underwriter of such loss, shall exceed the Deductible Amount set forth in Item 3 of the Declarations

hereof (herein called Deductible Amount), and then for such excess only, but in no event for more than the applicable Limit of Liability stated in Item 3 of the Declarations.

The Insured will bear, in addition to the Deductible Amount, premiums on Lost Instrument Bonds as set forth in Section 7.

There shall be no deductible applicable to any loss under Insuring Agreement A sustained by any Investment Company named as Insured herein.

### SECTION 13. TERMINATION

The Underwriter may terminate this bond as an entirety by furnishing written notice specifying the termination date, which cannot be prior to 60 days after the receipt of such written notice by each Investment Company named as Insured and the Securities and Exchange Commission, Washington, D.C. The Insured may terminate this bond as an entirety by furnishing written notice to the Underwriter. When the Insured cancels, the Insured shall furnish written notice to the Securities and Exchange Commission, Washington, D.C., prior to 60 days before the effective date of the termination. The Underwriter shall notify all other Investment Companies named as Insured of the receipt of such termination notice and the termination cannot be effective prior to 60 days after receipt of written notice by all other Investment Companies. Premiums are earned until the termination date as set forth herein.

This Bond will terminate as to any one Insured immediately upon taking over of such Insured by a receiver or other liquidator or by State or Federal officials, or immediately upon the filing of a petition under any State or Federal statute relative to bankruptcy or reorganization of the Insured, or assignment for the benefit of creditors of the Insured, or immediately upon such Insured ceasing to exist, whether through merger into another entity, or by disposition of all of its assets.

The Underwriter shall refund the unearned premium computed at short rates in accordance with the standard short rate cancellation tables if terminated by the Insured or pro rata if terminated for any other reason.

This Bond shall terminate:

	656,683	(1,764,532 )
Income before income taxes and equity losses in Chinese joint venture	12,320,690	11,776,672
Income tax provision	(4,066,000 )	(4,458,000 )
Equity losses in Chinese joint venture	(43,591 )	-
Net income	\$8,211,099	\$7,318,672
Net income per common share:		
Basic	\$0.80	\$0.72
Dilutive	\$0.80	\$0.72
Cash dividends declared per share	\$0.18	\$0.18
Weighted average number of common shares outstanding:		
Basic shares	10,246,211	10,177,497
Dilutive shares	10,257,368	10,178,276

See Notes to Condensed Consolidated Financial Statements.

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AMPCO-PITTSBURGH CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Three Months Ended March 31,	
	2010	2009
Net cash flows provided by operating activities	\$ 9,498,555	\$ 13,720,260
Cash flows from investing activities:		
Purchases of property, plant and equipment	(11,584,554)	(6,157,271 )
Investment in Chinese joint venture	-	(4,410,000 )
Collateral for outstanding foreign exchange contracts	-	(4,326,000 )
Purchases of long-term marketable securities	(219,125 )	(90,630 )
Proceeds from sale of long-term marketable securities	208,657	50,446
Proceeds from sale of property, plant and equipment	96,756	-
Net cash flows used in investing activities	(11,498,266)	(14,933,455)
Cash flows from financing activities:		
Dividends paid	(1,844,267 )	(1,831,949 )
Proceeds from the issuance of common stock	9,731	-
Excess tax benefits from the exercise of stock options	4,013	-
Net cash flows used in financing activities	(1,830,523 )	(1,831,949 )
Effect of exchange rate changes on cash and cash equivalents	(785,730 )	(78,978 )
Net decrease in cash and cash equivalents	(4,615,964 )	(3,124,122 )
Cash and cash equivalents at beginning of period	66,440,864	81,606,793



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Cash and cash equivalents at end of period	\$ 61,824,900	\$ 78,482,671
Supplemental information:		
Income tax payments	\$ -	\$ 707,427
Interest payments	\$ 73,635	\$ 72,910
Non-cash investing activities:		
Purchases of property, plant and equipment included in accounts payable	\$ 2,020,043	\$ 1,929,700

See Notes to Condensed Consolidated Financial Statements.

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AMPCO-PITTSBURGH CORPORATION  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

1. Unaudited Condensed Consolidated Financial Statements

The condensed consolidated balance sheet as of March 31, 2010, the condensed consolidated statements of operations for the three months ended March 31, 2010 and 2009 and the condensed consolidated statements of cash flows for the three months ended March 31, 2010 and 2009 have been prepared by Ampco-Pittsburgh Corporation (the Corporation) without audit. In the opinion of management, all adjustments, consisting of only normal and recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented, have been made. The results of operations for the three months ended March 31, 2010 are not necessarily indicative of the operating results expected for the full year.

Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted.

Recently Issued Accounting Pronouncements

In June 2009, the FASB issued new guidance replacing the quantitative-based risks and rewards calculation with a more qualitative approach for determining which enterprise, if any, has a controlling financial interest in a variable-interest entity. The new guidance also adds an additional reconsideration event for determining whether an entity is a variable-interest entity and ongoing assessments of whether an enterprise is the primary beneficiary. The new guidance became effective on January 1, 2010 and did not impact the operating results, financial position or liquidity of the Corporation.

In September 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements, which addresses the accounting and revenue recognition of sales contracts with multiple products and/or services when such products and/or services are provided to the customer at different points in time or over different time periods. ASU 2009-13 requires the sales consideration to be allocated, at the inception of the arrangement, to each deliverable and/or service using the relative selling price method. ASU 2009-13 will be effective prospectively for revenue arrangements entered into or materially modified on or after June 15, 2010.

2. Inventories

At March 31, 2010 and December 31, 2009, approximately 65% of the inventories were valued on the LIFO method with the remaining inventories valued on the FIFO method. Inventories were comprised of the following:

	March 31, 2010	(in thousands) December 31, 2009
Raw materials	\$ 18,650	\$ 18,274
Work-in-process	36,082	33,178

Finished goods	3,916	8,075
Supplies	9,609	10,448
	\$ 68,257	\$ 69,975

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## 3. Property, Plant and Equipment

Property, plant and equipment were comprised of the following:

	March 31, 2010	(in thousands) December 31, 2009
Land and land improvements	\$ 4,765	\$ 4,766
Buildings	36,751	31,387
Machinery and equipment	186,602	155,528
Construction-in-progress	18,365	45,188
Other	7,402	7,417
	253,885	244,286
Accumulated depreciation	(125,711 )	(124,346 )
	\$ 128,174	\$ 119,940

## 4. Other Current Liabilities

Other current liabilities were comprised of the following:

	March 31, 2010	(in thousands) December 31, 2009
Customer-related liabilities	\$ 9,345	\$ 10,111
Foreign currency exchange contracts	1,118	1,171
Accrued sales commissions	2,577	1,852
Accrued income taxes payable	4,146	-
Dividend payable	1,844	1,844
Other	5,688	4,920
	\$ 24,718	\$ 19,898

Included in customer-related liabilities are costs expected to be incurred with respect to product warranties. Changes in the liability for product warranty claims consisted of the following:

	2010	(in thousands) Three Months Ended March 31, 2009
Balance at beginning of the period	\$ 4,929	\$ 4,724
Satisfaction of warranty claims	(480 )	(269 )
Provision for warranty claims	645	452
Impact from changes in foreign currency exchange rates	(138 )	(7 )
Balance at end of the period	\$ 4,956	\$ 4,900



## 5. Pension and Other Postretirement Benefits

Contributions for the three months ended March 31, 2010 and 2009 were as follows:

	2010	(in thousands) 2009
U.S. pension benefits plans	\$ -	\$ 5,000
U.K. pension benefits plan	\$ 359	\$ 329
Other postretirement benefits (e.g. net payments)	\$ 161	\$ 121
U.K. defined contribution plan	\$ 76	\$ 64

Net periodic pension and other postretirement costs include the following components:

U.S. Pension Benefits	Three Months Ended 2010	(in thousands) March 31, 2009
Service cost	\$ 784	\$ 712
Interest cost	2,159	2,058
Expected return on plan assets	(2,254 )	(2,522 )
Amortization of prior service cost	164	158
Amortization of actuarial loss	781	432
Net expense	\$ 1,634	\$ 838

Foreign Pension Benefits	Three Months Ended 2010	(in thousands) March 31, 2009
Interest cost	\$ 627	\$ 534
Expected return on plan assets	(476 )	(340 )
Amortization of actuarial loss	117	106
Net expense	\$ 268	\$ 300

Other Postretirement Benefits	Three Months Ended 2010	(in thousands) March 31, 2009
Service cost	\$ 113	\$ 109
Interest cost	226	210
Amortization of prior service cost	21	22
Amortization of actuarial loss	-	1
Net expense	\$ 360	\$ 342

## 6. Commitments and Contingent Liabilities

Outstanding standby and commercial letters of credit as of March 31, 2010 approximated \$21,065,000, a major portion of which serves as collateral for the Industrial Revenue Bond debt.

In connection with the sale of a segment in 2003, the Corporation provided typical warranties to the buyer (such as those relating to income taxes, intellectual property, legal proceedings, product liabilities and title to property, plant and equipment) which primarily expire with the statutes of limitations. Losses suffered by the buyer as a result of the Corporation's breach of warranties are reimbursable by the Corporation up to approximately \$2,000,000. No amount has been paid to date and, based on experience while owning the segment, the Corporation expects that no amounts will become due.

See also Note 12 regarding litigation and Note 13 for environmental matters.

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## 7. Comprehensive Income (Loss)

The Corporation's comprehensive income (loss) consisted of:

	(in thousands)	
	Three Months Ended	March 31,
	2010	2009
Net income	\$ 8,211	\$ 7,319
Foreign currency translation adjustments	(2,862 )	93
Unrecognized components of employee benefit plans	688	458
Unrealized holding gains (losses) on marketable securities	74	(46 )
Change in the fair value of cash flow hedge derivatives	454	1,286
Comprehensive income	\$ 6,565	\$ 9,110

## 8. Foreign Currency Exchange and Futures Contracts

Certain of the Corporation's operations are subject to risk from exchange rate fluctuations in connection with sales in foreign currencies. To minimize this risk, foreign currency sales contracts are entered into which are designated as cash flow or fair value hedges and are recorded in the condensed consolidated balance sheet as either an asset or a liability measured at their fair value. The accounting for changes in the fair value of a derivative depends on the use of the derivative. To the extent that a derivative is designated and effective as a cash flow hedge of an exposure to future changes in value, the change in fair value of the derivative is deferred in accumulated other comprehensive income (loss). Any portion considered to be ineffective, including that arising from the unlikelihood of an anticipated transaction to occur, is reported as a component of earnings (other income/expense) immediately. Upon occurrence of the anticipated transaction, the derivative designated and effective as a cash flow hedge is de-designated as a fair value hedge and the change in fair value previously deferred in accumulated other comprehensive income (loss) is reclassified to earnings (net sales) with subsequent changes in fair value recorded as a component of earnings (other income/expense). To the extent that a derivative is designated and effective as a hedge of an exposure to changes in fair value, the change in the derivative's fair value will be offset in the condensed consolidated statement of operations by the change in the fair value of the item being hedged and is recorded as a component of earnings (other income/expense).

No portion of the existing cash flow hedges is considered to be ineffective, including any ineffectiveness arising from the unlikelihood of an anticipated transaction to occur. Additionally, no amounts have been excluded from assessing the effectiveness of the hedge.

As of March 31, 2010, approximately \$47,080,000 of anticipated foreign-denominated sales has been hedged of which \$16,857,000 is covered by cash flow contracts settling at various dates through June 2012 and the remaining \$30,223,000 is covered by fair value contracts settling at various dates through September 2013. As of March 31, 2010, the fair value of foreign currency sales contracts designated as cash flow hedges expecting to settle within the next 12 months approximated \$837,000 and is recorded as other current assets. The fair value of the remaining cash flow contracts equaled \$308,000 and is recorded as other noncurrent assets. The change in the fair value of the contracts is recorded as a component of accumulated other comprehensive income (loss) and approximated \$630,000, net of income taxes, as of March 31, 2010. During the three months ended March 31, 2010, approximately \$641,000, net of income taxes, was recognized as comprehensive income (loss). The change in the fair value will be reclassified to earnings when the projected sales occur with approximately \$784,000 expected to be released to pre-tax earnings within the next 12 months. During the three months ended March 31, 2010 and 2009, approximately \$51,000 and \$3,000, respectively, was released to pre-tax earnings.



As of March 31, 2010, the fair value of foreign currency sales contracts designated as fair value hedges expecting to settle within the next 12 months approximated \$1,118,000 and is recorded as other current liabilities. (The fair value of the related hedged item, recorded as other current assets, approximated \$1,120,000.) The fair value of the remaining fair value hedges equaled \$255,000 and is recorded as other noncurrent assets. (The fair value of the related hedged item, recorded as other noncurrent liabilities, approximated \$221,000). The fair value of assets held as collateral as of March 31, 2010 approximated \$2,276,000.

Gains (losses) on foreign exchange transactions approximated \$920,000 and \$(1,387,000) for the three months ended March 31, 2010 and 2009, respectively, and are included in other income (expense).

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The Corporation enters into foreign currency purchase contracts to manage the volatility associated with Euro-denominated progress payments to be made for certain machinery and equipment. The contracts are designated as cash flow hedges and are recorded in the condensed consolidated balance sheet as either an asset or a liability measured at their fair value. To the extent that a derivative is designated and effective as a cash flow hedge of an exposure to future changes in value, the change in fair value of the foreign currency purchase contract is deferred in accumulated other comprehensive income (loss). Any portion considered to be ineffective, including that arising from the unlikelihood of an anticipated transaction to occur, is reported as a component of earnings (other income/expense) immediately. Upon occurrence of the anticipated transaction (i.e., remittance of the progress payment), the foreign currency purchase contract is settled and the change in fair value deferred in accumulated other comprehensive income (loss) is reclassified to earnings (depreciation expense) over the life of the underlying assets.

As of March 31, 2010, approximately \$5,601,000 of anticipated foreign-denominated purchases has been hedged with cash flow contracts settling at various dates through February 2012. As of March 31, 2010, the fair value of the contracts expecting to settle within the next 12 months approximated \$48,000 and is recorded as other current assets. The fair value of the remaining cash flow contracts equaled \$25,000 and is recorded as other noncurrent assets. Additionally, the fair value of the contracts which settled by March 31, 2010 approximated \$601,000 and is recorded with property, plant and equipment, net (specifically, construction-in-progress). The change in the fair value of the contracts (both outstanding and settled) is recorded as a component of accumulated other comprehensive income (loss) and approximated \$406,000, net of income taxes, as of March 31, 2010. During the three months ended March 31, 2010, approximately \$(178,000), net of income taxes, was recognized as comprehensive income (loss). Since the underlying assets have not yet been placed in service, no amounts relating to the settled contracts have been released to earnings during the three months ended March 31, 2010. Additionally, the amount expected to be released to earnings (as an offset to depreciation expense) within the next 12 months is not significant.

At March 31, 2010, the Corporation has purchase commitments covering approximately 71% or \$16,115,000 of anticipated natural gas usage at one of its subsidiaries. The commitments qualify as normal purchases and, accordingly, are not reflected on the condensed consolidated balance sheet.

Additionally, one of the Corporation's subsidiaries is subject to risk from increases in the price of commodities (copper and aluminum) used in the production of inventory. To minimize this risk, futures contracts are entered into which are designated as cash flow hedges. Changes in fair value of the derivative is deferred in accumulated other comprehensive income (loss). Any portion considered to be ineffective, including that arising from the unlikelihood of an anticipated transaction to occur, is reported as a component of earnings (other income/expense) immediately. Upon

occurrence of the anticipated transaction, the futures contract is settled and the change in fair value previously deferred in accumulated other comprehensive income (loss) is reclassified to earnings (costs of products sold) when the projected sales occur. At March 31, 2010, approximately 60% or \$1,394,000 of anticipated copper purchases over the next 4 months and 63% or \$868,000 of anticipated aluminum purchases over the next 6 months are hedged. The fair value of these contracts (open and settled) approximated \$181,000 as of March 31, 2010. The change in the fair value of the contracts designated as cash flow hedges is recorded as a component of accumulated other comprehensive income (loss) and approximated \$112,000, net of income taxes, as of March 31, 2010. During the three months ended March 31, 2010, approximately \$63,000, net of income taxes, was recognized as comprehensive income (loss). Approximately \$181,000 of the change in fair value is expected to be released to pre-tax earnings over the next 12 months. During the three months ended March 31, 2010 and 2009, approximately \$168,000 and \$(135,000), respectively, was released to pre-tax earnings. The fair value of assets held as collateral as of March 31, 2010 approximated \$253,000.

The Corporation does not enter into derivative transactions for speculative purposes and, therefore, holds no derivative instruments for trading purposes.

#### 9. Stock-Based Compensation

In February 2010, the Compensation Committee granted 325,000 of non-qualified stock options to certain employees. The options have a ten-year life with one-third vesting at the date of grant, one-third vesting on the first anniversary date of the date of grant and one-third vesting on the second anniversary date of the date of grant. The exercise price of \$25.77 was equal to the closing price of the Corporation's common stock on the New York Stock Exchange on the date of grant and the fair value of the options was \$10.77 per share.

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The fair value of the options as of the date of grant was calculated using the Black-Scholes option-pricing model based on an assumption for the expected life of the options of six years, a risk-free interest rate of 2.98%, an expected dividend yield of 3.00% and an expected volatility of 55.12%. The resultant stock-based compensation expense of \$3,500,000 will be recognized over the requisite service period.

The risk-free interest rate is equal to the yield that was available on U.S. Treasury zero-coupon issues at the date of grant with a remaining term equal to the expected life of the options. The expected life of the options was estimated by considering historical exercise experience of the employee group and the vesting period of the awards. The expected dividend yield was based on a dividend amount giving consideration to the Corporation's future expectations of dividend increases over the expected life of the options. The expected volatility was based on the historical prices of the Corporation's stock and dividend amounts over the past six years, a period equal to the expected life of the stock options.

Stock-based compensation expense for the three months ended March 31, 2010 and 2009 equaled \$1,644,000 and \$664,000, respectively. The related income tax benefit recognized in the condensed consolidated statement of operations for the related periods was approximately \$575,000 and \$232,000.

#### 10. Fair Value

The Corporation's financial assets and liabilities that are reported at fair value in the accompanying condensed consolidated balance sheet as of March 31, 2010 were as follows:

	(in thousands)			
	Quoted Prices in Active Markets for Identical Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Other noncurrent assets	\$ 2,732	\$ -	\$ -	\$ 2,732
Foreign currency exchange (sales and purchase) contracts				
Other current assets	-	2,005	-	2,005
Other noncurrent assets	-	588	-	588
Other current liabilities	-	1,118	-	1,118
Other noncurrent liabilities	-	221	-	221

### 11. Business Segments

Presented below are the net sales and income before income taxes for the Corporation's two business segments.

	(in thousands)	
	Three Months Ended March 31, 2010	2009
Net sales:		
Forged and Cast Rolls	\$ 60,148	\$ 57,423
Air and Liquid Processing	22,178	28,332
Total Reportable Segments	\$ 82,326	\$ 85,755
Income before income taxes:		
Forged and Cast Rolls	\$ 13,465	\$ 13,957
Air and Liquid Processing	1,795	2,221
Total Reportable Segments	15,260	16,178
Other expense, including corporate costs – net	(2,939 )	(4,401 )
Total	\$ 12,321	\$ 11,777

## 12.Litigation (claims not in thousands)

## Litigation

The Corporation and its subsidiaries are involved in various claims and lawsuits incidental to their businesses. In addition, it is also subject to asbestos litigation as described below.

## Asbestos Litigation

Claims have been asserted alleging personal injury from exposure to asbestos-containing components historically used in some products of certain of the Corporation's operating subsidiaries ("Asbestos Liability") and of an inactive subsidiary in dissolution and another former division of the Corporation. Those subsidiaries, and in some cases the Corporation, are defendants (among a number of defendants, typically over 50) in cases filed in various state and federal courts.

## Asbestos Claims

The following table reflects approximate information about the claims for Asbestos Liability against the subsidiaries and the Corporation, along with certain asbestos claims asserted against the inactive subsidiary in dissolution and the former division, for the three months ended March 31, 2010:

Approximate open claims at end of period	8,330	(1)
Gross settlement and defense costs (in 000's)	\$3,595	
Approximate claims settled or dismissed	173	

(1) Included as "open claims" are approximately 1,931 claims classified in various jurisdictions as "inactive" or transferred to a state or federal judicial panel on multi-district litigation, commonly referred to as the MDL.

A substantial majority of the settlement and defense costs reflected in the above table were reported and paid by insurers. Because claims are often filed and can be settled or dismissed in large groups, the amount and timing of settlements, as well as the number of open claims, can fluctuate significantly from period to period. In 2006, for the first time, a claim for Asbestos Liability against one of the Corporation's subsidiaries was tried to a jury. The trial resulted in a defense verdict. Plaintiffs appealed that verdict and in 2008 the California Court of Appeals reversed the jury verdict and remanded the case back to the trial court.

## Asbestos Insurance

Certain of the Corporation's subsidiaries and the Corporation have an arrangement (the "Coverage Arrangement") with insurers responsible for historical primary and some umbrella insurance coverage for Asbestos Liability (the "Paying Insurers"). Under the Coverage Arrangement, the Paying Insurers accept financial responsibility, subject to the limits of the policies and based on fixed defense percentages and specified indemnity allocation formulas, for a substantial majority of the pending claims for Asbestos Liability. The claims against the inactive subsidiary in dissolution of the Corporation, approximately 324 as of March 31, 2010, are not included within the Coverage Arrangement. The one claim filed against the former division also is not included within the Coverage Arrangement. The Corporation believes that the claims against the inactive subsidiary in dissolution and the former division are immaterial.

The Coverage Arrangement includes an acknowledgement that Howden Buffalo, Inc. ("Howden") is entitled to coverage under policies covering Asbestos Liability for claims arising out of the historical products manufactured or distributed by Buffalo Forge, a former subsidiary of the Corporation (the "Products"). The Coverage Arrangement does not provide for any prioritization on access to the applicable policies or monetary cap other than the limits of the policies, and, accordingly, Howden may access the policies at any time for any covered claim arising out of a Product. In general, access by Howden to the policies covering the Products will erode the coverage under the policies available to the Corporation and the relevant subsidiaries for Asbestos Liability alleged to arise out of not only the Products but also

other historical products of the Corporation and its subsidiaries covered by the applicable policies.

On August 4, 2009, Howden filed a lawsuit in the United States District Court for the Western District of Pennsylvania against the Corporation, two insurance companies that allegedly issued policies to Howden that are not relevant to the Corporation, and two other insurance companies that issued excess insurance policies covering certain subsidiaries of the Corporation (the "Excess Policies"), but that are not yet part of the Coverage Arrangement. In the lawsuit, Howden seeks a declaratory judgment from the court as to the respective rights and obligations of Howden, the Corporation and the insurance carriers under the

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Excess Policies. One of the excess carriers and the Corporation have filed cross-claims against each other seeking declarations regarding their respective rights and obligations under Excess Policies issued by that carrier. The Corporation's cross-claim also seeks damages for the carrier's failure to pay certain defense and indemnity costs.

#### Asbestos Valuations

In 2006, the Corporation retained Hamilton, Rabinovitz & Associates, Inc. ("HR&A"), a nationally recognized expert in the valuation of asbestos liabilities, to assist the Corporation in estimating the potential liability for pending and unasserted future claims for Asbestos Liability. HR&A was not requested to estimate asbestos claims against the inactive subsidiary in dissolution or the former division, which the Corporation believes are immaterial. Based on this analysis, the Corporation recorded a reserve for Asbestos Liability claims pending or projected to be asserted through 2013 as at December 31, 2006. HR&A's analysis most recently was updated in 2008, and additional reserves were established by the Corporation as at December 31, 2008 for Asbestos Liability claims pending or projected to be asserted through 2018. The methodology used by HR&A in its projection in 2008 of the operating subsidiaries' liability for pending and unasserted potential future claims for Asbestos Liability, which is substantially the same as the methodology employed by HR&A in the 2006 estimate, relied upon and included the following factors:

- HR&A's interpretation of a widely accepted forecast of the population likely to have been exposed to asbestos; epidemiological studies estimating the number of people likely to develop asbestos-related diseases;

- HR&A's analysis of the number of people likely to file an asbestos-related injury claim against the subsidiaries and the Corporation based on such

- epidemiological data and relevant claims history from January 1, 2006 to September 30, 2008;

- an analysis of pending cases, by type of injury claimed and jurisdiction where the claim is filed;

- an analysis of claims resolution history from January 1, 2006 to September 30, 2008 to determine the average settlement value of claims, by type of

- injury claimed and jurisdiction of filing; and

- an adjustment for inflation in the future average settlement value of claims, at an annual inflation rate based on the Congressional Budget Office's ten year forecast of inflation.

Using this information, HR&A estimated in 2008 the number of future claims for Asbestos Liability that would be filed through the year 2018, as well as the settlement or indemnity costs that would be incurred to resolve both pending and future unasserted claims through 2018. This methodology has been accepted by numerous courts. For purposes of its condensed consolidated financial statements for the three months ended March 31, 2010, the Corporation reviewed its current Asbestos Liability and ultimately utilized the estimate by HR&A completed in 2008, as updated by the Corporation to reflect its Asbestos Liability expenditures through March 31, 2010.

In conjunction with developing the aggregate liability estimate referenced above, the Corporation also developed an estimate of probable insurance recoveries for its asbestos liabilities. In developing the estimate, the Corporation considered HR&A's projection for settlement or indemnity costs for Asbestos Liability and management's projection of associated defense costs (based on current defense cost levels with an annual 5% inflation factor), as well as a number of additional factors. These additional factors included the Coverage Arrangement, self-insured retentions, policy exclusions, policy limits, policy provisions regarding coverage for defense costs, attachment points, prior impairment of policies and gaps in the coverage, policy exhaustions, insolvencies among certain of the insurance carriers, the nature of the underlying claims for Asbestos Liability asserted against the subsidiaries and the Corporation as reflected in the Corporation's asbestos claims database, as well as estimated erosion of insurance limits on account of claims against Howden arising out of the Products. In addition to consulting with the Corporation's outside legal counsel on these insurance matters, the Corporation retained in 2008 a nationally-recognized insurance consulting firm to assist the Corporation with certain policy allocation matters that also are among the several factors considered by the Corporation when analyzing potential recoveries from relevant historical insurance for Asbestos Liabilities. Based upon all of the factors considered by the Corporation, and taking into account the Corporation's analysis of publicly available information regarding the credit-worthiness of various insurers, the Corporation estimated the probable insurance recoveries for Asbestos Liability and defense costs through 2018. Although the Corporation believes that the assumptions employed in the insurance valuation were reasonable and previously consulted with its outside legal counsel and insurance consultant regarding those assumptions, there are other assumptions that could have been employed that would have resulted in materially lower insurance recovery projections.

Based on the analyses described above, the Corporation's reserve at December 31, 2008 for the total costs, including defense costs, for Asbestos Liability claims pending or projected to be asserted through 2018 was \$207,014,000, of which approximately 86% was attributable to settlement costs for unasserted claims projected to be filed through 2018 and future defense costs. The reserve at March 31, 2010 was \$172,741,000. While it is reasonably possible that the

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Corporation will incur additional charges for Asbestos Liability and defense costs in excess of the amounts currently reserved, the Corporation believes that there is too much uncertainty to provide for reasonable estimation of the number of future claims, the nature of such claims and the cost to resolve them beyond 2018. Accordingly, no reserve has been recorded for any costs that may be incurred after 2018.

The Corporation's receivable at December 31, 2008 for insurance recoveries attributable to the claims for which the Corporation's Asbestos Liability reserve has been established, including the portion of incurred defense costs covered by the Coverage Arrangement, and the probable payments and reimbursements relating to the estimated indemnity and defense costs for pending and unasserted future Asbestos Liability claims, was \$136,176,000 (\$112,323,000 as of March 31, 2010). The insurance receivable recorded by the Corporation does not assume any recovery from insolvent carriers, and substantially all of the insurance recoveries deemed probable were from insurance companies rated A – (excellent) or better by A.M. Best Corporation. There can be no assurance, however, that there will not be further insolvencies among the relevant insurance carriers, or that the assumed percentage recoveries for certain carriers will prove correct. The \$70,838,000 difference between insurance recoveries and projected costs at December 31, 2008 is not due to exhaustion of all insurance coverage for Asbestos Liability. The Corporation and the subsidiaries have substantial additional insurance coverage which the Corporation expects to be available for Asbestos Liability claims and defense costs the subsidiaries and it may incur after 2018. However, this insurance coverage also can be expected to have gaps creating significant shortfalls of insurance recoveries as against claims expense, which could be material in future years.

The amounts recorded by the Corporation for Asbestos Liabilities and insurance receivables rely on assumptions that are based on currently known facts and strategy. The Corporation's actual expenses or insurance recoveries could be significantly higher or lower than those recorded if assumptions used in the Corporation's or HR&A's calculations vary significantly from actual results. Key variables in these assumptions are identified above and include the number and type of new claims to be filed each year, the average cost of disposing of each such new claim, average annual defense costs, the resolution of coverage issues with insurance carriers, and the solvency risk with respect to the relevant insurance carriers. Other factors that may affect the Corporation's Asbestos Liability and ability to recover under its insurance policies include uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, reforms that may be made by state and federal courts, and the passage of state or federal tort reform legislation.

The Corporation intends to evaluate its estimated Asbestos Liability and related insurance receivables as well as the underlying assumptions on a regular basis to determine whether any adjustments to the estimates are required. Due to the uncertainties surrounding asbestos litigation and insurance, these regular reviews may result in the Corporation incurring future charges; however, the Corporation is currently unable to estimate such future charges. Adjustments, if any, to the Corporation's estimate of its recorded Asbestos Liability and/or insurance receivables could be material to operating results for the periods in which the adjustments to the liability or receivable are recorded, and to the Corporation's liquidity and consolidated financial position.

### 13. Environmental Matters

The Corporation is currently performing certain remedial actions in connection with the sale of real estate previously owned and has been named a Potentially Responsible Party at three third-party landfill sites. In addition, as a result of a sale of a segment, the Corporation retained the liability to remediate certain environmental contamination at two of the sold locations, one of which has been completed, and has agreed to indemnify the buyer against third-party claims arising from the discharge of certain contamination from one of these locations, the cost for which was accrued at the time of sale.

Environmental exposures are difficult to assess and estimate for numerous reasons including lack of reliable data, the multiplicity of possible solutions, the years of remedial and monitoring activity required, and identification of new sites. In the opinion of management and in consideration of advice from the Corporation's consultants, the potential liability for all environmental proceedings of approximately \$789,000 at March 31, 2010 is considered adequate based on information known to date.

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

Executive Overview

The Corporation operates in two business segments – Forged and Cast Rolls and Air and Liquid Processing. Business activity for the Forged and Cast Rolls group has begun to show signs of improvement. Additionally, weakness of the British Pound Sterling against most regional currencies is contributing further to the demand for rolling mill rolls for our U.K. operations. Pricing pressures from customers continue however. For the Air and Liquid Processing group, industrial activity is weak and recovery is not expected in the immediate future.

Consolidated Results of Operations for the Three Months Ended March 31, 2010 and 2009

**Net Sales.** Net sales for the three months ended March 31, 2010 and 2009 were \$82,326,000 and \$85,755,000, respectively. Backlog approximated \$467,796,000 at March 31, 2010 versus \$501,311,000 as of December 31, 2009 and \$618,935,000 as of March 31, 2009. A discussion of sales and backlog for the Corporation's two segments is included below.

**Costs of Products Sold.** Costs of products sold, excluding depreciation, as a percentage of net sales for the three months ended March 31, 2010 and 2009 were comparable and approximated 69.0% and 69.7% for the respective periods.

**Selling and Administrative.** The increase in selling and administrative expenses is primarily due to the recognition of stock-based compensation costs associated with the February 2010 stock option grant of \$1,264,000 for the three months ended March 31, 2010. Total stock-based compensation expense equaled \$1,644,000 and \$664,000 for the three months ended March 31, 2010 and 2009, respectively.

**Depreciation.** The increase in depreciation expense is associated with the assets placed in service as a result of the major capital investment program that began in 2008 for the Forged and Cast Rolls segment.

**Income from Operations.** Income from operations for the three months ended March 31, 2010 and 2009 approximated \$11,664,000 and \$13,541,000, respectively. A discussion of operating results for the Corporation's two segments is included below.

**Forged and Cast Rolls.** Sales for the quarter were better than the comparable prior year period attributable to an improvement in the volume of shipments, particularly for the U.K. cast roll operations. Despite the contribution from the additional sales and increased production volumes, operating income was less than the prior year quarter which benefited from significantly higher variable-index surcharge revenues. Backlog approximated \$432,741,000 at March 31, 2010 against \$468,500,000 as of December 31, 2009 and \$566,436,000 as of March 31, 2009. The decline is a result of shipments outpacing new orders. In addition, the Forged and Cast Rolls group has commitments of approximately \$56,000,000 from customers under long-term supply arrangements which will be included in backlog upon receipt of specific purchase orders closer to the requirement dates for delivery. Approximately \$254,000,000 of the current backlog is expected to ship after 2010.



Air and Liquid Processing. Sales and operating income for the segment decreased when compared to the three months ended March 31, 2009. Specifically, Buffalo Pumps has been adversely affected by a reduction in the volume of pumps supplied to the energy sector and for the U.S. Navy. With minimal new-construction activity, Buffalo Air Handling continues to operate at a break-even level. Although sales for Aerofin have declined as a result of reduced activity with its utility customers, the impact to operating income was minimized by lower commissions and operating costs. As of March 31, 2010, backlog approximated \$35,055,000 in comparison to \$32,811,000 as of December 31, 2009 and \$52,499,000 as of March 31, 2009. The reduction in backlog from a year ago is reflective of the economic slowdown in its markets and the fall off in new business which began in the latter part of 2009. The majority of the current backlog is expected to ship in 2010.

Other Income (Expense). The fluctuation in other income (expense) is primarily attributable to foreign exchange gains during the current year quarter versus foreign exchange losses in the first quarter of the prior year.

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**Income Taxes.** The decrease in the effective income tax rate between the two periods is partially attributable to a change in the composition of projected net income before income taxes. For 2010, a higher proportion of net income before income taxes is anticipated to be generated by the U.K. operation which is taxed at a statutory rate of 28% versus a statutory federal rate of 35% in the U.S. Additionally, higher beneficial permanent differences and lower state taxes further reduced the estimated effective income tax rate for 2010.

**Net Income and Earnings per Common Share.** As a result of the above, the Corporation's net income for the three months ended March 31, 2010 and 2009 equaled \$8,211,000 or \$0.80 per common share and \$7,319,000 or \$0.72 per common share, respectively.

#### Liquidity and Capital Resources

Net cash flows provided by operating activities decreased for the three months ended March 31, 2010 when compared to the three months ended March 31, 2009. The decrease is principally due to an increase in accounts receivables reflective of the higher volume of shipments for the Forged and Cast Rolls group.

The decrease in net cash flows used in investing activities is partially attributable to Union Electric Steel making its final contributions toward its 49% interest in its Chinese joint venture in 2009. Additionally, in the first quarter of 2009, Davy Roll was required to deposit in escrow approximately \$4,326,000 (£3,000,000) to be held as collateral for its outstanding foreign currency exchange contracts. A portion of these monies were returned to Davy Roll in 2009 and no further deposits have been required to date. The increase in capital expenditures is associated with the Forged and Cast Rolls group and its in-process capital investment program. As of March 31, 2010, future capital expenditures approximating \$17,982,000, to be spent over the next 12 – 18 months, have been approved.

The effect of exchange rate changes on cash and cash equivalents for the three months ended March 31, 2010 is related to the decline in the value of the U.K. pound sterling against the U.S. dollar.

As a result of the above, cash and cash equivalents decreased \$4,616,000 in 2010 and ended the period at \$61,825,000 in comparison to \$66,441,000 at December 31, 2009.

Funds on hand and funds generated from future operations are expected to be sufficient to finance the operational and capital expenditure requirements of the Corporation. The Corporation also maintains short-term lines of credit and an overdraft facility in excess of the cash needs of its businesses. The total available at March 31, 2010 was approximately \$9,000,000 (including £3,000,000 in the U.K. and €400,000 in Belgium).

#### Litigation and Environmental Matters

See Notes 12 and 13 to the condensed consolidated financial statements.

#### Critical Accounting Pronouncements

The Corporation's critical accounting policies, as summarized in its Annual Report on Form 10-K for the year ended December 31, 2009, remain unchanged.

#### Recently Issued Accounting Pronouncements

See Note 1 to the condensed consolidated financial statements.

#### Forward-Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of the Form 10-Q contain forward-looking statements that reflect the Corporation's current views with respect to future events and financial performance.

Forward-looking statements are identified by the use of the words "believes," "expects," "anticipates," "estimates," "projects," "forecasts" and other expressions that indicate future events and trends. Forward-looking statements speak only as of the date on which such statements are made, are not guarantees of future performance or expectations and involve risks and uncertainties. For the Corporation, these risks and uncertainties include, but are not limited to, those described under Item 1A, Risk Factors, of Part II of this Form 10-Q. In addition, there may be events in the future that the Corporation is not able to accurately predict or

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control which may cause actual results to differ materially from expectations expressed or implied by forward-looking statements. The Corporation undertakes no obligation to update any forward-looking statement whether as a result of new information, events or otherwise.

#### ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in the Corporation's exposure to market risk from December 31, 2009.

#### ITEM 4 – CONTROLS AND PROCEDURES

(a) Disclosure controls and procedures. An evaluation of the effectiveness of the Corporation's disclosure controls and procedures as of the end of the period covered by this report was carried out under the supervision, and with the participation, of management, including the principal executive officer and principal financial officer. Disclosure controls and procedures are defined under Securities and Exchange Commission ("SEC") rules as controls and other procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the required time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, the Corporation's management, including the principal executive officer and principal financial officer, has concluded that the Corporation's disclosure controls and procedures were effective as of March 31, 2010.

(c) Changes in internal control over financial reporting. There were no changes in the Corporation's internal control over financial reporting during the quarter ended March 31, 2010, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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PART II - OTHER INFORMATION

AMPCO-PITTSBURGH CORPORATION

Item 1 Legal Proceedings

The information contained in Note 12 to the condensed consolidated financial statements (Litigation) is incorporated herein by reference.

Item 1A Risk Factors

There are no material changes to the Risk Factors contained in Item 1A to Part I of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2009.

Items 2-5 None

Item 6 Exhibits

(3) Articles of Incorporation and By-laws

(a) Articles of Incorporation

Incorporated by reference to the Quarterly Reports on Form 10-Q for the quarters ended March 31, 1983, March 31, 1984, March 31, 1985, March 31, 1987 and September 30, 1998.

(b) By-laws

Incorporated by reference to the Quarterly Reports on Form 10-Q for the quarters ended September 30, 1994, March 31, 1996, June 30, 2001 and June 30, 2004.

(10) Material Contracts

(a) 1988 Supplemental Executive Retirement Plan

Incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2008.

(b) Severance Agreements between Ampco-Pittsburgh Corporation and certain officers and employees of Ampco-Pittsburgh Corporation

Incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2008.

(c) 2008 Omnibus Incentive Plan

Incorporated by reference to the Proxy Statement dated March 6, 2008.

(d) Retirement and Consulting Agreement between Ampco-Pittsburgh Corporation and Ernest G. Siddons dated April 30, 2009.

Incorporated by reference to the Quarterly Reports on Form 10-Q for the quarter ended March 31, 2009.

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(31.1) Certification of the principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(31.2) Certification of the principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(32.1) Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(32.2) Certification of principal financial officer 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.

AMPCO-PITTSBURGH CORPORATION

DATE: May 10, 2010

BY: s/Robert A. Paul  
Robert A. Paul  
Chairman and Chief Executive Officer

DATE: May 10, 2010

BY: s/Marliss D. Johnson  
Marliss D. Johnson  
Vice President, Controller and Treasurer





AMPCO-PITTSBURGH CORPORATION

EXHIBIT INDEX

Exhibit	(31.1)	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
	(31.2)	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
	(32.1)	Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
	(32.2)	Certification of principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

