SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

ALLIED DEFENSE GROUP INC

CIK:**3952**| IRS No.: **042281015** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **001-11376** | Film No.: **13726724**
SIC: **3480** Ordnance & accessories, (no vehicles/guided missiles)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2012

Commission file number: 1-11376

THE ALLIED DEFENSE GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	**04-2281015**
(State of incorporation)	**(I.R.S. Employer Identification No.)**

120 E. Baltimore Street, Suite 2100
Baltimore, Maryland 21202
(Address of principal executive offices, including zip code)

(410) 385-8155
(Registrant' s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.10 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant' s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☒ NO ☐

The aggregate market value of the voting stock of the registrant held by non-affiliates as of June 30, 2012, the last day of the registrant' s most recently completed second fiscal quarter, was $29,471,514. For purposes of this determination, only our directors, including any indirect holdings of such directors as reported in Item 11 of this Form 10-K, and executive officers have been deemed affiliates.

The number of shares of registrant' s Common Stock outstanding as of February 28, 2013, was 8,235,195.

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PART I

ITEM 1. *BUSINESS*

The Allied Defense Group, Inc. ("Allied" or the "Company") previously conducted a multinational defense business focused on the manufacture and sale of ammunition and ammunition related products for use by the U.S. and foreign governments. Allied' s business was conducted by two wholly-owned subsidiaries: MECAR sprl, formerly MECAR S.A. ("Mecar"), and ADG Sub USA, Inc., formerly MECAR USA, Inc. ("Mecar USA").

On June 24, 2010, the Company signed a definitive purchase and sale agreement (the "Agreement") with Chemring Group PLC ("Chemring") pursuant to which Chemring agreed to acquire substantially all of the assets of the Company for $59.56 million in cash and the assumption of certain liabilities. On September 1, 2010, the Company completed the asset sale to Chemring contemplated by the Agreement. Chemring acquired all of the capital stock of Mecar for $45.81 million in cash, and separately Chemring acquired substantially all of the assets of Mecar USA for $13.75 million in cash and the assumption by Chemring of certain specified liabilities of Mecar USA. A portion of the purchase price was paid through the repayment of certain intercompany indebtedness owed to the Company that would otherwise have been cancelled at closing. $15 million of the proceeds of the sale was deposited into escrow to secure the Company' s indemnification obligations under the Agreement.

In conjunction with the Agreement, the Board of Directors of the Company unanimously approved the dissolution of the Company pursuant to a Plan of Complete Liquidation and Dissolution ("Plan of Dissolution"). The Company' s stockholders approved the Plan of Dissolution on September 30, 2010. In response to concerns of certain of the Company' s stockholders, the Company agreed to delay the filing of a certificate of dissolution with the Delaware Secretary of State. The Company filed a certificate of dissolution with the Delaware Secretary of State on August 31, 2011. In connection with this filing, our stock transfer agent has ceased recording transfers of our stock and our stock is no longer publicly traded.

In connection with the adoption of the Plan of Dissolution and the anticipated liquidation of the Company, we adopted the liquidation basis of accounting effective close of business on September 30, 2010, whereby assets are valued at their estimated net realizable cash values and liabilities are stated at their estimated settlement amounts. Uncertainties as to the ultimate amount of our liabilities make it impractical to predict the aggregate net value that may ultimately be distributable to stockholders. Under the liquidation basis of accounting, we accrue for the remaining costs to be incurred during liquidation, including compensation for remaining directors, insurance costs, fees for professional service providers, income taxes, and miscellaneous other costs, partially offset by estimated future interest earnings. Such net costs were estimated to be $1.577 million as of December 31, 2012. Our estimates are based on assumptions regarding our ability to settle outstanding obligations and the ultimate timing of distributions to our stockholders, but do not include settlement amounts, fines or penalties, if any, that we might incur as a result of the Department of Justice ("DOJ") subpoena or any other legal proceedings. Our estimate of net costs only includes costs through December 31, 2013 based on the assumption that the Company will reach resolution of the DOJ inquiry prior to that date.

The Company received a subpoena from the DOJ on January 19, 2010 requesting that the Company produce documents relating to its dealings with foreign governments. This subpoena was issued at the same time as the DOJ announced that it had indicted several individuals in connection with an FCPA sting operation, including an employee of MECAR USA. This individual' s employment was promptly terminated. The DOJ initially limited its request of documents to those relating to the former employee of Mecar USA. The DOJ subsequently advised the Company that it is conducting an industry-wide review, and therefore the DOJ' s investigation of the Company will be expanded and ongoing. The Company also received inquiries from the Securities and Exchange Commission ("SEC") as to this matter.

In early 2012, the DOJ dismissed charges against all individuals indicted in the FCPA sting operation, including the former employee of MECAR USA. Since this time, the Company' s outside counsel has had several discussions with the DOJ and SEC regarding the agencies' respective inquiries. The SEC has advised that it will not pursue an enforcement action against the Company. The discussions with the DOJ are continuing and based upon these discussions it appears likely that resolution of the DOJ inquiry will involve a payment by the Company in connection with at least one transaction involving the former employee of Mecar USA. At this point, the amount of this payment is undeterminable.

No distributions to stockholders are expected prior to resolution of the DOJ inquiry and completion of the Delaware dissolution process which includes notice to creditors and publication of the dissolution, followed by a petition to the Delaware courts. The Company has commenced the creditor notice process and believes it will be in a position to make an initial distribution to stockholders by the end of 2013, contingent upon timely finalizing a settlement with the DOJ.

We cannot predict the settlement amounts, fines or penalties, if any, that we might incur as a result of the DOJ inquiry. As a result, it is unlikely that any distributions to our stockholders will be made until the matters relating to the DOJ inquiry have been resolved. Furthermore, under the Agreement, the Company has agreed to indemnify Chemring and certain of its related parties from any losses, fines or penalties arising out of, among other things, the completed contracts of Mecar and Mecar USA. We have escrowed $15 million of the cash consideration paid to the Company in the sale to secure our indemnification obligations under the Agreement. These escrowed funds will not be available to the Company for distribution to our stockholders, or otherwise, until released to the Company pursuant to the terms of the Agreement.

The Company is being managed by its two directors who are also acting as the Company' s Chief Executive Officer and Chief Financial Officer. The Company no longer has any full-time employees. Allied no longer conducts any active business operations and is winding-up its affairs as set forth above.

Available Information

Our principal Internet address is www.allieddefensegroup.com. We make available free of charge on www.allieddefensegroup.com our annual, quarterly and current reports, and amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. In addition, you may request a copy of these filings (excluding exhibits) at no cost by writing or telephoning us at the following address or telephone number:

The Allied Defense Group, Inc.
120 E. Baltimore Street, Suite 2100
Baltimore, Maryland 21202
(410) 385-8155

ITEM 1A. *RISK FACTORS*

Not required for a smaller reporting company.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

Allied' s principal executive offices are located at 120 E. Baltimore Street, Suite 2100, Baltimore, Maryland 21202.

ITEM 3. *LEGAL PROCEEDINGS*

DOJ Subpoena

On January 19, 2010, the Company received a subpoena and communications from the DOJ requesting the Company produce documents relating to its dealings with foreign governments. The subpoena stated that it was issued in connection with an ongoing criminal investigation. On the same day, the Company also became aware through a press release issued by the DOJ that an employee of Mecar USA had been indicted by the DOJ for allegedly engaging in schemes to bribe foreign government officials to obtain and retain business. The unsealed indictment of this employee and the DOJ' s press release indicate that the alleged criminal conduct was on behalf of a Decatur, Georgia company which is unrelated to the Company or Mecar USA. Mecar USA' s employment agreement with the employee provided that the employee not actively engage in any other employment, occupation or consulting activity that conflicts with the interests of the Company. In light of the employee' s breach of his employment agreement, Mecar USA terminated his employment on January 20, 2010.

The former employee was arrested on January 19, 2010, along with twenty-one other individuals, after a large-scale undercover operation that targeted foreign bribery in the military and law enforcement products industry. The indictments of the twenty-two individuals allege that the defendants conspired to violate the Foreign Corrupt Practices Act (“FCPA”), conspired to engage in money laundering and engaged in substantive violations of the FCPA.

Subsequently, the Company received notice from the DOJ that indicated that it would request additional documents and expand its review beyond matters relating to the indicted former employee of Mecar USA. The Company understands that the DOJ’ s expanded review is in connection with an industry-wide review. The Company also received inquiries from the SEC as to this matter. The SEC recently advised that it will not pursue an enforcement action against the Company.

The Company is cooperating with the DOJ and has been complying with the DOJ’ s subpoena. The Company’ s ongoing compliance is being overseen by the Company’ s Board of Directors. The Board of Directors is being assisted in these matters by outside counsel. The Company cannot predict the outcome of these matters or the impact, if any, that they may have on our plan to return the net proceeds of the Chemring sale to our stockholders.

In early 2012, the DOJ dismissed charges against all individuals indicted in the FCPA sting operation, including the former employee of MECAR USA. Since this time, the Company’ s outside counsel has had numerous discussions with the DOJ regarding the inquiry. Based upon these discussions, it appears likely that resolution of this inquiry will involve a payment by the Company in connection with at least one transaction involving the former employee of Mecar USA. At this point, the amount of this payment is undeterminable.

No distributions to stockholders are expected prior to resolution of the DOJ inquiry and completion of the Delaware dissolution process which includes notice to creditors and publication of the dissolution, followed by a petition to the Delaware courts. The Company has commenced the creditor notice process and believes it will be in a position to make an initial distribution to stockholders by the end of 2013, contingent upon timely finalizing a settlement with the DOJ.

Indemnification provisions

The Company sold its SeaSpace, Titan, VSK Group, GMS and NSM subsidiaries in separate transactions starting with the first transaction closing in 2007. In each transaction, the Company agreed to indemnify the purchaser for periods subsequent to closing for losses arising from breaches of representations, warranties and covenants. Indemnification periods varied based on the particular representation, warranty or covenant covered, the vast majority of which have expired. As of December 31, 2012, the only remaining indemnification obligations relate to representations and warranties concerning taxes, environmental matters, breaches of title, breaches of authorization and fraud. For SeaSpace, Titan, the VSK Group, GMS and NSM, these indemnification provisions have been capped at $1 million, $0.950 million, $6.6 million, $5.2 million and $0.863 million, respectively. At December 31, 2012, no amount has been accrued related to these indemnifications as a liability is not deemed probable.

On June 24, 2010, the Company signed a definitive purchase and sale agreement with Chemring Group PLC pursuant to which Chemring agreed to acquire substantially all of the assets of the Company for $59.56 million in cash and the assumption of certain liabilities. The purchase and sale agreement contains certain indemnification provisions pursuant to which the Company may be required to indemnify the buyer for a period subsequent to the completion of the sale for any and all losses directly or indirectly based upon, related to, arising out of or in connection with Mecar’ s completed contracts, Mecar USA liabilities retained by the Company and any failure by the Company to satisfy all transaction related expenses. The Company’ s indemnification liability is limited to, and capped at, the escrowed amount of $15 million plus the accumulated interest. The Company’ s indemnification obligations expire upon the earlier of (i) June 30, 2015 or (ii) the Company’ s entry into either a court or administrative order or a Chemring-approved settlement agreement, in either case, finally resolving the matters relating to the DOJ’ s subpoena. In the absence of such final resolution, in certain circumstances, up to 50% of the escrowed funds may be released as early as June 24, 2013. At December 31, 2012, no amount has been accrued related to this indemnification as a liability is not deemed probable.

ITEM 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

PART II

ITEM 5. *MARKET FOR REGISTRANT' S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Market Information. Allied' s Common Stock was listed for trading on the NYSE Mkt, LLC (formerly American Stock Exchange) until September 20, 2010. From that date through the end of August, 2011, the Company' s stock traded in the over-the-counter market under the trading symbol ADGI. The Company' s stock ceased trading after the Company filed a certificate of dissolution in Delaware on August 31, 2011. The table below shows the high and low sales prices of Allied' s Common Stock during 2011:

	2011	
	High	Low
1st Quarter	$3.75	$3.25
2nd Quarter	$3.58	$3.15
3rd Quarter	$3.50	$2.97
4th Quarter	N/A	N/A

Stockholders. The number of holders of record of the Common Stock at August 31, 2011 was 725. We closed our stock transfers on August 31, 2011.

Dividends. There have been no dividends declared or paid by Allied since November 1992.

ITEM 6. SELECTED FINANCIAL DATA

Not required for a smaller reporting company.

ITEM 7. *MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

Overview

The Allied Defense Group, Inc. ("Allied" or the "Company") previously conducted a multinational defense business focused on the manufacture and sale of ammunition and ammunition related products for use by the U.S. and foreign governments. Allied' s business was conducted by two wholly-owned subsidiaries: MECAR sprl, formerly MECAR S.A. ("Mecar"), and ADG Sub USA, Inc., formerly MECAR USA, Inc. ("Mecar USA").

On June 24, 2010, the Company signed a definitive purchase and sale agreement (the "Agreement") with Chemring Group PLC ("Chemring") pursuant to which Chemring agreed to acquire substantially all of the assets of the Company for $59.6 million in cash and the assumption of certain liabilities. On September 1, 2010, the Company completed the asset sale to Chemring contemplated by the Agreement. Chemring acquired all of the capital stock of Mecar for $45.8 million in cash, and separately Chemring acquired substantially all of the assets of Mecar USA for $13.8 million in cash and the assumption by Chemring of certain specified liabilities of Mecar USA. A portion of the purchase price was paid through the repayment of certain intercompany indebtedness owed to the Company that would otherwise have been cancelled at closing. $15 million of the proceeds from the sale was deposited into escrow to secure the Company' s indemnification obligations under the Agreement.

In conjunction with the Agreement, the Board of Directors of the Company unanimously approved the dissolution of the Company pursuant to a Plan of Complete Liquidation and Dissolution ("Plan of Dissolution"). The Company' s stockholders approved the Plan of Dissolution on September 30, 2010. In response to concerns of certain of the Company' s stockholders, the Company agreed to delay the filing of a Certificate of Dissolution with the Delaware Secretary of State. The Company filed a Certificate of Dissolution with the Delaware Secretary of State on August 31, 2011. In connection with this filing, our stock transfer agent has ceased recording transfers of our stock and our stock is no longer publicly traded.

In connection with the adoption of the Plan of Dissolution and the anticipated liquidation of the Company, we adopted the liquidation basis of accounting effective close of business on September 30, 2010, whereby assets are valued at their estimated net realizable cash values and liabilities are stated at their estimated settlement amounts. Uncertainties as to the ultimate amount of our liabilities make it impractical to predict the aggregate net value that may ultimately be distributable to stockholders. Under the liquidation basis of accounting, we accrue for the remaining costs to be incurred during liquidation, including compensation for remaining directors, insurance costs, fees for professional service providers, income taxes, and miscellaneous other costs, partially offset by estimated future interest earnings. Such net costs were estimated to be $1.577 million as of December 31, 2012. Our estimates are based on assumptions regarding our ability to settle outstanding obligations and the ultimate timing of distributions to our stockholders, but do not include settlement amounts, fines or penalties, if any, that we might incur as a result of the DOJ subpoena or any other legal proceedings. Our estimate of net costs only includes costs through December 31, 2013 based on the assumption that the Company will reach resolution of the DOJ inquiry prior to that date.

The Company received a subpoena from the DOJ on January 19, 2010 requesting that the Company produce documents relating to its dealings with foreign governments. This subpoena was issued at the same time as the DOJ announced that it had indicted several individuals in connection with an FCPA sting operation, including an employee of MECAR USA. This individual' s employment was promptly terminated. The DOJ initially limited its request of documents to those relating to the former employee of Mecar USA. The DOJ subsequently advised the Company that it is conducting an industry-wide review, and therefore the DOJ' s investigation of the Company will be expanded and ongoing. The Company also received inquiries from the Securities and Exchange Commission (“SEC”) as to this matter.

In early 2012, the DOJ dismissed charges against all individuals indicted in the FCPA sting operation, including the former employee of MECAR USA. The Company has subsequently requested that the DOJ consider the Company' s status in its investigation so that the Company may move forward with distributions to Company stockholders. The SEC has advised that it will not pursue an enforcement action against the Company. The discussions with the DOJ are continuing and based upon these discussions it appears likely that resolution of the DOJ inquiry will involve a payment by the Company in connection with at least one transaction involving the former employee of MECAR USA. At this point, the amount of this payment is undeterminable.

No distributions to stockholders are expected prior to resolution of the DOJ inquiry and completion of the Delaware dissolution process which includes notice to creditors and publication of the dissolution, followed by a petition to the Delaware courts. The Company has commenced the creditor notice process and believes it will be in a position to make initial distributions to stockholders by the end of 2013, contingent upon timely finalizing a settlement with the DOJ.

We cannot predict the settlement amounts, fines or penalties, if any, that we might incur as a result of the DOJ inquiry. The period of time required to resolve these matters is uncertain. As a result, it is unlikely that any distributions to our stockholders will be made until the matters relating to the DOJ inquiry have been resolved. Furthermore, under the Agreement, the Company has agreed to indemnify Chemring and certain of its related parties from any losses, fines or penalties arising out of, among other things, the completed contracts of Mecar and Mecar USA. We have escrowed $15 million of the cash consideration paid to the Company in the sale to secure our indemnification obligations under the Agreement. These escrowed funds will not be available to the Company for distribution to our stockholders, or otherwise, until released to the Company pursuant to the terms of the Agreement.

Net Assets in Liquidation

Net assets in liquidation at December 31, 2012 are $43.256 million compared to $44.333 million at December 31, 2011. The change in net assets in liquidation is due to adjustments to: (i) the fair value of assets, (ii) income earned on investments, and (iii) estimated costs to be incurred during liquidation. The net assets in liquidation per share as of December 31, 2012 have been adjusted to $5.25 as compared to $5.26 as of September 30, 2012, $5.32 as of June 30, 2012, $5.35 as of March 31, 2012 and $5.38 as of December 31, 2011.

We expect to use all of our net assets to complete our Plan of Dissolution, which includes settling existing claims against the Company, including current liabilities and accrued expenses, and making cash liquidating distributions to our shareholders. Net assets available for liquidating distributions to shareholders may vary if we incur greater than estimated operating expenses associated with executing the Plan of Dissolution, any actual settlement costs for existing claims against the Company (as we have not accrued any amounts for resolution of the DOJ matter or any other existing claim), or if there are existing, but unknown claims made against us in the future.

Our estimate of net costs to be incurred during liquidation includes costs only through December 31, 2013. We have assumed that we will be in a position to make an initial distribution to stockholders by the end of 2013. To meet this goal we must (i) complete the Delaware law requirements for liquidation, which include creditor notices, newspaper publications and a petition to the Delaware courts and (ii) complete the DOJ settlement. We have initiated the Delaware law proceedings and anticipate completing them in 2013, contingent upon timely resolution of the DOJ settlement. If we are unable to timely complete the Delaware law proceedings and/or the DOJ settlement, we will incur additional costs in 2014 and continuing until we complete these matters. Such a delay will further reduce the amount available for distribution to the stockholders.

Changes in Net Assets in Liquidation During the Year Ended December 31, 2012

The table below summarizes the changes in net assets during the year ended December 31, 2012:

	Year Ended December 31, 2012
Net assets on liquidation basis at beginning of period	$ 44,333
Changes in fair value of net assets in liquidation	
Adjust net assets to fair value	139
Increase in estimated net costs to be incurred during liquidation	(1,050)
Adjust estimated income to be earned during liquidation	(166)
Net assets on liquidation basis at end of period	$ 43,256

The change in net assets in liquidation during the year ended December 31, 2012 is the net effect of valuation changes to the net assets, income earned on investments and changes in the estimated net costs to be incurred during liquidation. Adjusting net assets to fair market value increased the net assets in liquidation by $0.139 million. The estimated net costs to be incurred during liquidation increased by $1.050 million. Adjusting estimated income to be earned during liquidation decreased the net assets in liquidation by $0.166 million. The net effect was a decrease of $1.077 million in net assets in liquidation during the year ended December 31, 2012.

The adjustment of assets to fair value is the reduction of short-term investments to fair market value. The unrealized loss associated with the short-term investments is due to the Company' s purchase of financial instruments with interest rates above market and therefore are purchased at a premium to their maturity value with an initial unrealized loss. The unrealized loss is absorbed against the interest income received as the instruments mature.

Our estimate of $1.577 million in net remaining costs to be incurred during liquidation consists of $0.193 million in compensation for remaining employees and directors; $0.236 million for compliance and other office costs, including resident filing fees and costs to settle remaining leases; $0.210 million for insurance; $0.878 million in fees for professional service providers including legal representation relating to the DOJ subpoena; and $0.150 million in income taxes related to the repatriation of foreign monies; offset by interest income of $0.090 million estimated to be received on our cash and short-term investment balances during liquidation. Our estimates are based on the assumption that liquidation will occur no later than December 31, 2013.

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The table below reconciles the changes during the year ended December 31, 2012, in the estimated net costs to be incurred during liquidation:

	(in thousands)			
Estimated Net Costs to be Incurred During Liquidation	December 31, 2011	Changes in Estimates	(Costs Incurred) Income Received	December 31, 2012
Estimated net costs to be incurred during liquidation				
Compensation for remaining employees and directors	$ 297	$ 64	$ (168)	$ 193
Compliance and other office costs	564	5	(333)	236
Insurance Fees	321	353	(464)	210
Professional Fees	1,556	628	(1,306)	878
Income Taxes	150	–	–	150
Subtotal	2,888	1,050	(2,271)	1,667
Less: interest income on cash and investment balances	(200)	166	(56)	(90)
Total net costs to be incurred during liquidation	$ 2,688	$ 1,216	$ (2,327)	$ 1,577

The estimate of costs to be incurred in liquidation was increased by $1.050 in 2012 primarily as a result of: a $0.064 million increase in compensation for remaining employees and directors principally due to a final 401(k) plan contribution and a potential final pay-out to Mecar employees; $0.005 million increase in compliance and other office costs; $0.353 million increase in insurance fees, primarily due to the amortization and write-off of the prepaid balance and an increase in the estimate for D&O insurance; and $0.628 million increase in professional fees primarily due to increased legal fees associated with the DOJ matter and resolution of a threatened lawsuit by a former employee of MECAR USA. Future investment income is estimated to be $0.090 million resulting in estimated total net costs to be incurred during liquidation of $1.577 million as of December 31, 2012.

The Company invests only in money market funds and short-term investments with maturities of less than twelve months. At the date of purchase, the amount paid for a short-term investment exceeds the maturity value of the investment. Over the remaining term of the investment the Company receives income at the coupon rate which represents a return of the excess purchase price plus income at the market rate. The current market rate for our investments is between .25 and .30% per year. Our net investment income during the year is the net of the unrealized fair value adjustment and the income received. During 2012, the net investment income was $0.083 million which was the fair value adjustment of $0.139 million offset by a realized loss of ($0.056) million. The realized loss was the result of an excess of realized losses incurred on maturities of investments over investment income received.

Changes in Net Assets in Liquidation During the Year Ended December 31, 2011

The table below summarizes the changes in net assets during the year ended December 31, 2011:

	Year Ended December 31, 2011
Net assets on liquidation basis at beginning of period	$ 45,629
Changes in fair value of net assets in liquidation	
Adjust net assets to fair value	(1,577)
Increase in estimated net costs to be incurred during liquidation	(1,184)
Adjust estimated income to be earned during liquidation	1,465
Net assets on liquidation basis at end of period	$ 44,333

The change in net assets in liquidation during the year ended December 31, 2011 is the net effect of valuation changes to the net assets, income earned on investments and changes in the estimated net costs to be incurred during liquidation. Adjusting net assets to fair market value decreased the net assets in liquidation by $1.577 million. The estimated net costs to be incurred during liquidation increased by $1.184 million. Adjusting estimated income to be earned during liquidation increased the net assets in liquidation by $1.465 million. The net effect was a reduction of $1.296 million in net assets in liquidation for the year ended December 31, 2011.

The adjustment of assets to fair value is the reduction of short term investments to fair market value. The unrealized loss associated with the short term investments is due to the Company' s purchase of financial instruments with interest rates above market and therefore are purchased at a premium to their maturity value with an initial unrealized loss. The unrealized loss is absorbed against the interest income received as the instruments mature.

The table below reconciles the changes during the year ended December 31, 2011, in the estimated net costs to be incurred during liquidation:

Estimated Net Costs to be Incurred During Liquidation	(in thousands)			
	December 31, 2010	Changes in Estimates	(Costs Incurred) Income Received	December 31, 2011
Estimated net costs to be incurred during liquidation				
Compensation for remaining employees and directors	$ 398	$ 173	$ (274)	$ 297
Compliance and other office costs	1,230	(34)	(632)	564
Insurance Fees	351	454	(484)	321
Professional Fees	1,385	814	(643)	1,556
Income Taxes	350	–	(200)	150
Subtotal	3,714	1,407	(2,233)	2,888
Accrued liabilities	399	(223)	(176)	–
Subtotal	4,113	1,184	(2,409)	2,888
Less: interest income on cash and investment balances	(150)	(1,465)	1,415	(200)
Total net costs to be incurred during liquidation	$ 3,963	$ (281)	$ (994)	$ 2,688

As of December 31, 2010, the estimate of net costs to be incurred during liquidation was $3.963 million, consisting of $4.113 million in estimated costs, offset by $0.150 million in estimated investment income. During the year ended December 31, 2011, $2.409 million in costs were incurred. The estimate of costs to be incurred increased by $1.184 million during the year, decreasing the net assets in liquidation per share by $0.15.

The primary causes for the increase were the extension of the liquidation period through 2013 based on advice of outside counsel ($0.800 million), the settlement of litigation with a former executive of the Company ($0.200 million), additional accounting and legal fees to be incurred as a result of the direction by the Securities and Exchange Commission staff that the Company must continue to file quarterly and audited annual financial statements ($0.250 million), and an increase in the premium costs for directors and officers liability insurance ($0.150 million). These increases were offset by the estimate of sublease income from the Company' s former executive offices ($0.200 million).

The estimate of investment income increased by $1.465 million during the year. This is an offset to the fair market value adjustment for investments and reduces the change in net costs in liquidation to $0.281 million.

Critical Accounting Policies

The Company' s discussion and analysis of its financial condition, results of operations and cash flows are based upon the Company' s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, sales, and expenses, and related disclosure of contingent assets and liabilities. The Company re-evaluates its estimates on an on-going basis. The Company' s estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates or judgments under different assumptions or conditions.

The Company believes the following are its critical accounting policies which affect its more significant judgments and estimates used in the preparation of its consolidated financial statements:

Estimates of the potential liability associated with litigation and government investigation.

Estimates of expenses incurred and interest income received during liquidation. Under the liquidation basis of accounting, the Company accrues for the remaining costs to be incurred during liquidation, including compensation for remaining directors, insurance costs, fees for professional service providers and miscellaneous other costs, partially offset by estimated future interest earnings. These estimates are undiscounted for present value and are based on the assumption that liquidation will occur no later than December 31, 2013.

Fair Value of financial instruments. The fair values for substantially all of our financial assets and financial liabilities are based on observable prices and inputs and are classified in level 1 of the hierarchy.

Forward-Looking Statements

This Management' s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that are based on current expectations, estimates and projections about the Company. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Commitments and Contingencies

DOJ Subpoena

On January 19, 2010, the Company received a subpoena and communications from the U.S. Department of Justice ("DOJ") requesting the Company produce documents relating to its dealings with foreign governments. The subpoena stated that it was issued in connection with an ongoing criminal investigation. See Note B (DOJ – Legal Proceedings) for additional information regarding the DOJ matter.

Employee Severance Payments

The Company entered into employment agreements with certain management personnel at the Company' s subsidiaries and with certain domestic management personnel. In September 2010, the Company paid $1.650 million in satisfaction of its severance obligations to the Company' s management personnel. Employment agreements with employees at Mecar and Mecar USA were assigned as part of the sale transactions. The Company is obligated to pay up to $0.075 million of additional severance payments at the time it makes distributions to stockholders. These expenses are included in the estimated net costs to be incurred during liquidation.

Indemnification provisions

The Company sold its SeaSpace, Titan, VSK Group, GMS and NSM subsidiaries in separate transactions starting with the first transaction closing in 2007. In each transaction, the Company agreed to indemnify the purchaser for periods subsequent to closing for losses arising from breaches of representations, warranties and covenants. Indemnification periods varied based on the particular representation, warranty or covenant covered, the vast majority of which have expired. As of December 31, 2012, the only remaining indemnification obligations relate to representations and warranties concerning taxes, environmental matters, breaches of title, breaches of authorization and fraud. For SeaSpace, Titan, the VSK Group, GMS and NSM, these indemnification provisions have been capped at $1.0 million, $0.950 million, $6.6 million (5.0 million), $5.2 million and $0.863 million, respectively. At December 31, 2012, no amount has been accrued related to these indemnifications as a liability is not deemed probable.

On June 24, 2010, the Company signed a definitive purchase and sale agreement with Chemring Group PLC pursuant to which Chemring agreed to acquire substantially all of the assets of the Company for $59.560 million in cash and the assumption of certain liabilities. The purchase and sale agreement contains certain indemnification provisions pursuant to which the Company may be required to indemnify the buyer for a period subsequent to the completion of the sale for any and all losses directly or indirectly based upon, related to, arising out of or in connection with Mecar' s completed contracts, Mecar USA liabilities retained by the Company and any failure by the Company to satisfy all transaction related expenses. The Company' s indemnification liability is limited to, and capped at, the escrowed amount of $15 million plus the accumulated interest. The Company' s indemnification obligations expire upon the earlier of (i) June 30, 2015 or (ii) the Company' s entry into either a court or administrative order or a Chemring-approved settlement agreement, in either case, finally resolving the matters relating to the DOJ' s subpoena. In the absence of such final resolution, in certain circumstances, up to 50% of the escrowed funds may be released as early as June 24, 2013. At December 31, 2012, no amount has been accrued related to this indemnification as a liability is not deemed probable.

Future Reporting

The Company filed a Certificate of Dissolution with the State of Delaware on August 31, 2011 and the Company has closed its stock transfer books and instructed its stock transfer agent that no further stock transfers be recognized. Accordingly, the Company' s stock has ceased trading on the market. The Company is required under Delaware law to maintain a quasi-corporate existence for a period of three years for the limited purpose of winding up its affairs and discharging or making provision for the discharge of its liabilities.

Promptly after the filing of the Certificate of Dissolution, the Company requested a no-action letter from the Securities and Exchange Commission to allow the Company to cease filing Forms 10-K and 10-Q. The Securities and Exchange Commission has rejected this request; accordingly, the Company will continue to file all required Forms 10-K and 10-Q.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Not required for a smaller reporting company.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

The financial statements and supplementary financial information and data required by this Item are set forth in the pages indicated in Item 15(a) (1) and (2).

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES*

There were no disagreements on any matter of accounting principles, financial statement disclosure or auditing scope or procedure to be reported under this item. BDO USA, LLP was the Company' s independent registered public accounting firm for both 2012 and 2011.

ITEM 9A. *CONTROLS AND PROCEDURES*

Overview

As a result of the sale of Mecar and Mecar USA and the adoption by the stockholders of the Plan of Dissolution, the Company has terminated all employees. During the third quarter of 2010 the Company reduced its corporate staff to one (1) person who left the Company in mid-November, 2010. The Company' s Officers/Board of Directors continue to oversee and review the Company' s system of financial reporting.

Disclosure Controls and Procedures

Subject to the provisions set forth in the Overview section above, under the direction and with the participation of the Company' s management, including the Company' s Chief Executive Officer and Chief Financial Officer, the Company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-15 as of the end of the period covered by the report. Based on this evaluation, the Company' s Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective as of December 31, 2012.

Management’ s Report on Internal Control over Financial Reporting

The management of The Allied Defense Group, Inc. is responsible for establishing and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. The Company’ s internal control system was designed to provide reasonable assurance to the Company’ s management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company’ s management assessed the effectiveness of the Company’ s internal control over financial reporting as of December 31, 2012. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on our assessment, the Chief Executive Officer and Chief Financial Officer concluded that the Company’ s internal controls over financial reporting are effective as of December 31, 2012.

This annual report does not include an attestation report of the Company’ s registered public accounting firm regarding internal control over financial reporting. Management’ s report was not subject to attestation by the Company’ s registered public accounting firm pursuant to SEC rules that permits the Company to provide only management’ s report in this annual report.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15-d-15(f) of the Exchange Act) during the fourth quarter of fiscal year 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. ***OTHER INFORMATION***

There was no information required to be disclosed in a report on Form 8-K during the fourth quarter of 2012 which was not so disclosed.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The following are the directors of Allied:

Name of Nominee	Year in which first elected a director	Age	Principal business occupation for past five years and other directorships
John G. Meyer, Jr.	2003	68	Consultant; Chief Executive Officer of RedX Defense, Inc., a provider of explosive detection devices from July 2009 to September 2009; Chief Executive Officer of Heckler & Koch, a defense contractor, from June 2005 – August 2007; Chief Executive Officer of the Company from June 2003 – June, 2005; President of the Company from January 2003 – June 2005; Chief Operating Officer of the Company from January 2001 – May 2003; Executive Vice President of the Company from January 2001 – January 2003; retired from United States Army having served as its most senior Public Affairs Officer. Mr. Meyer has proven business acumen, having served as the chief executive officer of several defense industry companies including serving as the Chief Executive Officer of the Company from 2003 to 2005. His military background provides the Board with relevant industry experience. Mr. Meyer currently serves on the board of Cyalume Technologies, Inc. as well as three non-public companies.
Charles S. Ream	2006	69	Retired as the Executive Vice President and Chief Financial Officer of Anteon International Corporation, having served in that capacity from 2003-2006; Senior Vice President and Chief Financial Officer of Newport News Shipbuilding Inc. from 2000-2001; Senior Vice President of Finance and Strategic Initiatives of Raytheon Systems Company from 1998-2000. Currently a director of Aeroflex Holdings Corp. and Engility Holding Corp., and previously a director of Vangent, Inc. (2007-2011), DynCorp International (2006-2010), Stewart & Stevenson, Inc. (2004-2006), and Stanley, Inc. (2006-2010). Mr. Ream' s experience brings to the Board a strong understanding of public company governance and operations. In addition, Mr. Ream currently serves on the board of one non-public company. Mr. Ream has extensive financial experience having served as a chief financial officer at several industry-related companies. Mr. Ream is a certified public accountant (inactive).

Executive Officers

Mr. Meyer serves as Chief Executive Officer of Allied and Mr. Ream serves as Chief Financial Officer of Allied. Neither is a full-time salaried employee.

Code of Ethics

Allied has adopted a code of business conduct and ethics for directors and officers (including Allied' s principal executive officer and principal financial officer). Stockholders may request a free copy of the code of ethics from the Company' s website at http://www.allieddefensegroup.com or at:

Allied Defense Group, Inc.
120 E. Baltimore Street
Suite 2100

Baltimore, Maryland 21202
(410) 385-8155

Procedure for Board Recommendations

There have been no material changes to the procedures by which the Company' s stockholders may recommend nominees to the Company' s Board of Directors.

Audit Committee

The Company does not have a separately-designated standing audit committee as Messrs. Meyer and Ream, constituting the entire board of directors of the Company, act as the Company' s audit committee. The board of directors has determined that Mr. Ream qualifies as an "audit committee financial expert" as defined under Securities and Exchange Commission rules.

Section 16(a) Beneficial Ownership Regarding Compliance

Section 16(a) of the Securities Exchange Act of 1934 ("Exchange Act") requires the Company' s Directors and Executive Officers, and anyone who beneficially owns ten percent (10%) or more of the Company' s common stock, to file with the Securities and Exchange Commission initial reports of beneficial ownership and reports of changes in beneficial ownership of common stock. Such persons are required by regulations of the Securities and Exchange Commission to furnish the Company with copies of all Section 16(a) forms they file.

Based solely upon a review of a copy of the Section 16(a) filing received by the Company during or with respect to 2012, the Company believes that each filing required to be made pursuant to Section 16(a) of the Exchange Act and with respect to 2012 was filed in a timely manner.

ITEM 11. ***EXECUTIVE COMPENSATION***

SUMMARY COMPENSATION TABLE
As Of December 31, 2012

Name and Principal Position	Year	Salary	Bonus	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation on ($)	Total ($)
John G. Meyer, Jr., Chief Executive	2012	$54,000[(1)]							$54,000
Officer from and after September 1, 2010	2011	$54,000[(1)]							$54,000
Charles S Ream, Chief Financial	2012	$54,000[(1)]							$54,000
Officer from and after September 1, 2010	2011	$54,000[(1)]							$54,000

(1) Salary paid as director' s compensation

COMPENSATION OF DIRECTORS

Each director is compensated for service at the annual rate of $54,000. The Company also reimburses directors for out-of-pocket expenses incurred in connection with their service.

DIRECTOR COMPENSATION FOR 2012

Name	Fees Earned or Paid in Cash ($)	Stock Awards	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
John G. Meyer, Jr.	$ 54,000						$54,000
Charles S. Ream	$ 54,000						$54,000

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

The following table sets forth information with respect to the shares of the Company' s common stock which is held by the only persons known to the Company to be the beneficial owners of more than 5% of such common stock based upon the most recent filings made by the undersigned with the Securities and Exchange Commission and other information obtained by the Company:

Name of Beneficial Owner	Shares Beneficially Owned	Percent of Class[(1)]
Southpaw Asset Management[(2)]	838,569	10.2 %
Water Island Capital, LLC[(3)]	689,203	8.4 %
AQR Capital Management, LLC[(4)]	594,564	7.2 %
Dimensional Fund Advisors LP[(5)]	504,833	6.1 %
Gabelli Funds, LLC [(6)]	420,247	5.1 %

(1) Based upon 8,235,195 shares of common stock outstanding as of December 31, 2012.

(2) Ownership information based on information in a Form 13G filed with the SEC on January 20, 2012, by Southpaw Credit Opportunity Master Fund LP, Southpaw Asset Management LP, Southpaw Holdings LLC, Kevin Wyman and Howard Golden, Two Greenwich Office Park, Greenwich, CT 06831.

(3) Ownership information based on information contained in a Schedule 13G filed with the SEC on December 10, 2010 by Water Island Capital, LLC ("Water Island"). Water Island possesses sole voting power of 689,203 shares or our common stock and sole investment power of 689,203 shares of our common stock. The principal business address of the reporting person is 41 Madison Ave., Suite 2802, New York, NY 10010.

(4) Ownership information as of December 31, 2012, based on information contained in a Schedule 13G/A filed with the SEC on February 13, 2013 by AQR Capital Management, LLC ("AQR"). AQR possesses shared voting power of 594,564 shares of our common stock and shared investment power of 594,564 shares of our common stock. The principal business address of AQR is Two Greenwich Plaza, 3rd Floor, Greenwich, CT 06830.

(5) Ownership information as of December 31, 2012, based on information contained in a Schedule 13G/A filed with the SEC on February 11, 2013 by Dimensional Fund Advisors LP ("Dimensional"). Dimensional possesses sole voting power of 497,420 shares of our common stock and sole investment power of 504,833 shares of our common stock. Dimensional, an investment adviser registered under Section 203 of the Investment Advisors Act of 1940, as amended, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, as amended, and serves as investment manager to certain other commingled group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred

to as the "Dimensional Funds"). In certain cases, subsidiaries of Dimensional may act as an adviser or sub-adviser to certain Dimensional Funds. In its role as investment adviser, sub-adviser and/or manager, neither Dimensional nor its subsidiaries possesses voting and/or investment power over our securities that are owned by the Dimensional Funds, and may be deemed to be the beneficial owner of our shares of common stock held by the Dimensional Funds. However, all shares reported on Dimensional' s Schedule 13G/A are owned by the Dimensional Funds. Dimensional disclaims beneficial ownership of such securities. The principal business address of Dimensional is Palisades West, Building One, 6300 Bee Cave Road, Austin, TX 78746.

(6) Ownership information, based on information contained in a Schedule 13D filed with the SEC on December 13, 2010 by Gabelli Funds, LLC ("Gabelli"). Gabelli possesses shared voting power of 420,247 shares of our common stock and shared investment power of 420,247 shares of our common stock. The principal business address of Gabelli is One Corporate Center, Rye, New York 10580-1435.

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The following information is furnished as of December 31, 2012, with respect to the beneficial ownership by management of the Company' s common stock:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Owner	Percent of Class
Common	John G. Meyer, Jr.	102,800 Owned directly	1.25 %
Common	Charles S. Ream	36,214 Owned directly	*
Common	All executive officers and directors as a group(2)	139,014 Owned directly	1.69 %

* Less than 1.00%

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.*

Procedures for Approval of Related Party Transactions

Our Board of Directors is charged with reviewing and approving all potential related party transactions. All such related party transactions must then be reported under applicable SEC rules. We have not adopted other procedures for review, or standards for approval, of such transactions, but instead review them on a case-by-case basis.

ITEM 14. *PRINCIPAL ACCOUNTING FEES AND SERVICE.*

The following table sets forth the fees billed to the Company by BDO USA, LLP (BDO) for audit and other services provided for 2012 and 2011, including work in connection with quarterly reviews:

	(In Thousands)	
	2012	2011
Audit fees	$ 75	$ 85
Audit-related fees	–	–
Tax fees	–	–
All other fees	–	–
Total	$ 75	$ 85

The Board of Directors considered whether the provision of services referenced above is compatible with maintaining independence and concluded the provision of services to be independent.

The Board of Director' s policy is to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year. The Board of Directors may also pre-approve particular services on a case-by-case basis.

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PART IV

ITEM 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

Exhibit No.	Description of Exhibits
2.1	Stock and Asset Purchase Agreement, dated as of June 24, 2010, between The Allied Defense Group, Inc., Mecar USA, Inc., ARC Europe, S.A. and Chemring Group PLC (Filed as Exhibit 2.1 to Form 8-K filed on June 24, 2010, and incorporated herein by reference).
3.1	Certificate of Incorporation, as amended (Incorporated by reference from Form 10-Q filed in August 2002).
3.2	Amended and Restated By-Laws (Incorporated by reference from Form 10-Q filed in August 2004).
3.3	Plan of Complete Liquidation And Dissolution of The Allied Defense Group, Inc. (Incorporated by reference from Proxy Statement filed on July 28, 2010).
3.4	Certificate of Dissolution dated August 31, 2011 (Incorporated by reference from Form 10-K filed in March 2012).
4.1	Rights Agreement between Allied and Mellon Investor Services, LLC (Incorporated by reference from Form 8-K filed in June 2001).
4.2	First Amendment To Rights Agreement, dated as of June 15, 2006 (incorporated by reference from Form 8-A/A filed on June 21, 2006).
4.3	Second Amendment To Rights Agreement, dated as of November 30, 2006 (incorporated by reference from Form 8-K filed on December 7, 2006).
4.4	Third Amendment To Rights Agreement, dated as of January 18, 2010 (incorporated by reference from Form 8-K filed on January 19, 2010).
4.5	Fourth Amendment To Rights Agreement, dated as of June 24, 2010 (Filed as Exhibit 4.5 to Form 8-K filed on June 24, 2010, and incorporated herein by reference).
10.1	Employment Agreement between Allied and John J. Marcello (Incorporated by reference from Form 10-Q filed in August 2005).
10.2	Employment Agreement between Allied and Deborah F. Ricci (Incorporated by reference from Form 10-Q filed in May 2007).
10.3	Employment Agreement between Allied and Monte L. Pickens (Incorporated by reference from Form 8-K filed in April 2003).
10.4	Employment Agreement letter amendment between Allied and Monte L. Pickens (Incorporated by reference from Form 10-Q filed in August 2004).
10.5	Employment Agreement between Allied and Wayne F. C. Hosking, Jr. (Incorporated by reference from Form 8-K filed in April 2004).
10.6	Lease Agreement, as amended (Incorporated by reference from Form 10-Q filed in November 2002).
10.7	Form of Indemnity Agreement for Directors and Executive Officers (Incorporated by reference from Form 10-Q filed in November 2002).
10.8	Amended and Restated International Distribution Agreement (Incorporated by reference from Form 10-Q filed in November 2008).
10.9	Deferred Compensation Plan for Non-Employee Directors (Incorporated by reference from Form 10-Q filed in August 2004).

10.10	Secured Promissory Note, between The Allied Defense Group, Inc. and Chemring Group PLC (Filed as Exhibit 10.27 to Form 8-K filed on June 24, 2010, and incorporated herein by reference).
10.11	Secured Promissory Note, between ARC Europe, S.A. and Chemring Group PLC (Filed as Exhibit 10.28 to Form 8-K filed on June 24, 2010, and incorporated herein by reference).
21	List of Subsidiaries (a)
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (a)
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (a)
32	Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(a).
101	The following financial information from our Annual Report on Form 10-K for 2012 filed with the SEC formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Net Assets (liquidation basis) as of December 31, 2012 and December 31, 2011; (ii) Consolidated Statements of Changes in Net Assets (liquidation basis) for the years ended December 31, 2012 and 2011.

(a) Filed herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Allied has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

The Allied Defense Group, Inc.
By:

/s/ John G. Meyer, Jr.
John G. Meyer, Jr., Chief Executive Officer and President Date: March 29, 2013

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

/s/ Charles S. Ream Charles S. Ream	Chief Financial Officer	Date: March 29, 2013
/s/ Charles S. Ream Charles S. Ream	Director	Date: March 29, 2013
/s/ John G. Meyer, Jr. John G. Meyer, Jr.	Director	Date: March 29, 2013

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

FORMING A PART OF
ANNUAL REPORT PURSUANT TO
THE SECURITIES EXCHANGE ACT OF 1934

FORM 10-K

OF

The Allied Defense Group, Inc.

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The Allied Defense Group Inc.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
The Allied Defense Group, Inc.
Vienna, Virginia

We have audited the accompanying consolidated statements of net assets (liquidation basis) of The Allied Defense Group, Inc. and subsidiaries (the "Company"), as of December 31, 2012 and 2011, and the related consolidated statements of changes in net assets (liquidation basis) for the years ended December 31, 2012 and 2011. These consolidated financial statements are the responsibility of the Company' s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company' s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note C to the consolidated financial statements, the shareholders of The Allied Defense Group, Inc. approved a plan of liquidation on September 30, 2010. As a result, the Company changed its basis of accounting effective October 1, 2010, from the going-concern basis to a liquidation basis.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated net assets (liquidation basis) of The Allied Defense Group, Inc. and subsidiaries as of December 31, 2012 and 2011, and the consolidated changes in net assets (liquidation basis) for the years ended December 31, 2012 and 2011, in conformity with accounting principles generally accepted in the United States of America applied on the bases described in the preceding paragraph.

/s/ BDO USA, LLP

Bethesda, Maryland
March 29, 2013

The Allied Defense Group, Inc.

CONSOLIDATED STATEMENTS OF NET ASSETS (Liquidation Basis)
(Thousands of Dollars, except per share and share data)

	December 31, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	$1,079	$3,617
Short-term investments	28,604	27,895
Prepaid expenses	–	219
Accrued interest receivable	330	428
Funds held in escrow	15,013	15,010
TOTAL ASSETS	**45,026**	**47,169**
LIABILITIES		
Estimated net costs to be incurred during liquidation	1,577	2,688
Accounts payable	95	57
Other liabilities	98	91
TOTAL LIABILITIES	**1,770**	**2,836**
NET ASSETS IN LIQUIDATION	**$43,256**	**$44,333**
NUMBER OF SHARES OUTSTANDING	8,235,195	8,235,195
NET ASSETS IN LIQUIDATION PER SHARE	$5.25	$5.38

See accompanying notes to consolidated financial statements.

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The Allied Defense Group, Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (Liquidation Basis)
(Thousands of Dollars, except per share and share data)

	Year Ended December 31, 2012	Year Ended December 31, 2011
Net assets on liquidation basis at beginning of period	$ 44,333	$ 45,629
Changes in fair value of net assets in liquidation		
Adjust net assets to fair value	139	(1,577)
Increase in estimated net costs to be incurred during liquidation	(1,050)	(1,184)
Adjust estimated income to be earned during liquidation	(166)	1,465
Net assets on liquidation basis at end of period	$ 43,256	$ 44,333

See accompanying notes to consolidated financial statements.

The Allied Defense Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of Dollars)

NOTE A – DESCRIPTION OF BUSINESS

Business Operations

The Allied Defense Group Inc. ("Allied" or the "Company"), a Delaware corporation, previously conducted a multinational defense business focused on the manufacture and sale of ammunition and ammunition related products for use by the U.S. and foreign governments. Allied' s business was conducted by its two wholly owned subsidiaries: MECAR sprl, formerly Mecar S.A. ("Mecar"), and ADG Sub USA, Inc., formerly Mecar USA, Inc. ("Mecar USA").

Plan of Dissolution and Liquidation

On June 24, 2010, the Company signed a definitive purchase and sale agreement (the "Agreement") with Chemring Group PLC ("Chemring") pursuant to which Chemring agreed to acquire substantially all of the assets of the Company for $59,560 in cash and the assumption of certain liabilities. On September 1, 2010, the Company completed the asset sale to Chemring contemplated by the Agreement. Pursuant to the Agreement, Chemring acquired all of the capital stock of Mecar for approximately $45,810 in cash, and separately Chemring acquired substantially all of the assets of Mecar USA for $13,750 in cash and the assumption by Chemring of certain specified liabilities of Mecar USA. A portion of the purchase price was paid through the repayment of certain intercompany indebtedness owed to the Company that would otherwise have been cancelled at closing. $15,000 of the proceeds of the sale was deposited into escrow to secure the Company' s indemnification obligations under the Agreement.

In conjunction with the Agreement, the Board of Directors of the Company unanimously approved the dissolution of the Company pursuant to a Plan of Complete Liquidation and Dissolution ("Plan of Dissolution"). The Company' s stockholders approved the Plan of Dissolution on September 30, 2010. In response to concerns of certain of the Company' s stockholders, the Company agreed to delay the filing of a certificate of dissolution with the Delaware Secretary of State. The Company filed a certificate of dissolution with the Delaware Secretary of State on August 31, 2011. In connection with this filing, our stock transfer agent has ceased recording transfers of our stock and our stock is no longer publicly traded.

NOTE B – DOJ LEGAL PROCEEDINGS

On January 19, 2010, the Company received a subpoena and communications from the U.S. Department of Justice ("DOJ") requesting the Company produce documents relating to its dealings with foreign governments. The subpoena stated that it was issued in connection with an ongoing criminal investigation. On the same day, the Company also became aware through a press release issued by the DOJ that an employee of Mecar USA had been indicted by the DOJ for allegedly engaging in schemes to bribe foreign government officials to obtain and retain business. The unsealed indictment of this employee and the DOJ' s press release indicate that the alleged criminal conduct was on behalf of a Decatur, Georgia company which is unrelated to the Company or Mecar USA. Mecar USA' s employment agreement with the employee provided that the employee not actively engage in any other employment, occupation or consulting activity that conflicts with the interests of the Company. In light of the employee' s breach of his employment agreement, Mecar USA terminated his employment on January 20, 2010.

The former employee was arrested on January 19, 2010, along with twenty-one other individuals, after an undercover operation that targeted foreign bribery in the military, and small arms and ammunition industries. The indictments of the twenty-two individuals allege that the defendants conspired to violate the Foreign Corrupt Practices Act ("FCPA"), conspired to engage in money laundering and engaged in substantive violations of the FCPA.

Subsequently, the Company received notice from the DOJ that indicated that it would request additional documents and expand its review beyond matters relating to the indicted former employee of Mecar USA. The Company understands that the DOJ' s expanded review was in connection with an industry-wide review. The Company has also received inquiries from the SEC on this matter. The SEC recently advised the Company that it will not pursue an enforcement action against the Company.

The Company is cooperating with the DOJ and complying with the DOJ’ s subpoena. The Company’ s ongoing compliance with these matters is being overseen by the Company’ s Board of Directors. The Board of Directors is being assisted in these matters by independent outside counsel. The Company cannot predict the outcome of these matters or the impact, if any, that they may have on our plan to return the net proceeds of the Chemring sale to our stockholders.

In early 2012, the DOJ dismissed charges against all individuals indicted in the FCPA sting operation, including the former employee of MECAR USA. Since this time, the Company' s outside counsel has had numerous discussions with the DOJ regarding the inquiry. Based upon these discussions, it appears likely that resolution of this inquiry will involve a payment by the Company in connection with at least one transaction involving the former employee of Mecar USA. At this point, the amount of this payment is undeterminable.

No distributions to stockholders are expected prior to resolution of the DOJ inquiry and completion of the Delaware dissolution process which includes notice to creditors and publication of the dissolution, followed by a petition to the Delaware courts. The Company has commenced the creditor notice process and believes it will be in a position to make an initial distribution to shareholders by the end of 2013, contingent upon timely finalizing a settlement with DOJ.

For additional disclosures surrounding other legal, refer to Note F−Contingencies and Commitments.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Liquidation Basis of Accounting

With the authorization of the Plan of Dissolution, the Company adopted the liquidation basis of accounting effective as the close of business on September 30, 2010. The liquidation basis of accounting will continue to be used by the Company until such time that the plan is terminated. Under the liquidation basis of accounting, assets are stated at their estimated net realizable value and liabilities are stated at their estimated settlement amounts, which estimates will be periodically reviewed and adjusted as appropriate. Consolidated statements of net assets (liquidation basis) and consolidated statements of changes in net assets (liquidation basis) are the principal financial statements presented under the liquidation basis of accounting. The valuations of assets at their net realizable value and liabilities at their anticipated settlement amounts represent estimates, based on present facts and circumstances associated with carrying out the Plan of Dissolution based on the assumptions set forth below. The actual values and costs associated with carrying out the Plan of Dissolution are expected to differ from the amounts shown herein because of the inherent uncertainty and will be greater than or less than the amounts recorded. Such differences may be material. In particular, the estimates of the Company' s costs will vary with the length of time it operates under the Plan of Dissolution. Accordingly, it is not possible to predict the aggregate amount or timing of future distributions to stockholders, as long as the plan is in effect, and no assurance can be given that the amount of liquidating distributions to be received will equal or exceed the estimate of net assets in liquidation presented in the accompanying consolidated statements of net assets (liquidation basis).Under the liquidation basis of accounting, the carrying amounts of assets as of the close of business on September 30, 2010, the date of the authorization of the Plan of Dissolution by the Company, were adjusted to their estimated net realizable values and liabilities, including the estimated costs associated with implementing the Plan of Dissolution, were stated at their estimated settlement amounts. Such value estimates were updated by the Company as of December 31, 2011 and December 31, 2012. The majority of net assets in liquidation at December 31, 2011 and December 31, 2012 were highly liquid and did not require adjustment as their estimated net realizable value approximates their current book value. The exception is the short-term investments which are subject to changes in market value.

The Company is also required to estimate and accrue the costs associated with implementing and completing the Plan of Dissolution under the liquidation basis of accounting. These amounts can vary significantly due to, among other things, the costs of retaining personnel and others to oversee the liquidation, including compensation for remaining directors, insurance costs, fees for legal and other professional service providers, income taxes, and miscellaneous other costs, partially offset by estimated future interest earnings on the Company' s short-term investments. Such net costs were estimated to be $1,577 as of December 31, 2012.

The estimated net costs to be incurred during liquidation as of December 31, 2012 are as follows:

Estimated net costs to be incurred during liquidation:	
Compensation for remaining employees and directors	$193
Compliance and other office costs	236
Insurance Fees	210
Professional Fees	878
Income Taxes	150
Subtotal	1,667
Less: interest income on cash and investment balances	(90)
Total net costs to be incurred during liquidation	$1,577

These estimates are based on assumptions regarding the Company' s ability to settle outstanding obligations to creditors, resolve outstanding litigation, and the ultimate timing of distributions to its stockholders, but does not include settlement amounts, fines or penalties, if any, that the Company might incur as a result of the DOJ subpoena or any other legal proceedings. These estimates will be reviewed quarterly and adjusted as projections and assumptions change.

Principles of Consolidation

As of December 31, 2012, the consolidated financial statements of the Company include the accounts of Allied and its wholly-owned subsidiaries, which are as follows:

ARC Europe, a Belgian company,

Allied Research BV ("BV"), a Dutch company,

Allied Research Cooperative ("Coop") and,

ADG Sub USA, Inc. ("USA")

On September 1, 2010, as discussed in Note A, Chemring acquired the assets of Mecar USA and the stock of Mecar, a wholly owned subsidiary of ARC Europe.

Significant intercompany transactions have been eliminated in the consolidation.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and investment income and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation

The assets and liabilities of the Company' s foreign subsidiaries are translated into U.S. dollars at period-end exchange rates. Income and expense items are converted into U.S. dollars at average rates of exchange prevailing during the period.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Reclassification

Reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

Short-term investments

Cash in excess of funds required for immediate use by the Company has been invested with the primary goal to preserve capital. As such, the funds are invested in short-term, high-quality, fixed-income securities which have a maturity of less than 12 months and are accounted for at fair value. As of December 31, 2012 and December 31, 2011, the fair value of these investments was $28,604 and $27,895, respectively, and was included in short-term investments on the consolidated statements of net assets.

In addition to short-term investments, the Company invests in money market funds which are classified as cash equivalents. Amounts are transferred between short-term investments and money market funds based on investment availability and yield.

Concentrations of Credit Risk

Financial instruments and related items which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances.

Reportable segments

Prior to September 2010, the Company operated within two operating segments: Mecar and Mecar USA. In September 2010, the Company completed the divesture of Mecar and Mecar. As a result, Allied no longer has operating segments.

Recent Accounting Pronouncements

In May 2011, the FASB issued a new accounting standard update, which amends the fair value measurement guidance and includes some enhanced disclosure requirements. The most significant change in disclosures is an expansion of the information required for Level 3 measurements based on unobservable inputs. The standard is effective for fiscal years beginning after December 15, 2011.

Under the liquidation basis of accounting, the Company does not expect any recent accounting pronouncements to impact the Consolidated Statement of Net Assets.

NOTE D − FUNDS HELD IN ESCROW

On June 24, 2010, the Company signed a definitive purchase and sale agreement with Chemring Group PLC pursuant to which Chemring agreed to acquire substantially all of the assets of the Company for $59,560 in cash and the assumption of certain liabilities. As of December 31, 2012 and 2011, $15,000 of the proceeds of the sale remains deposited in an escrow account to secure the Company' s indemnification obligations under the Agreement. Such amounts are included in Funds held in escrow on the Consolidated Statements of Net Assets (Liquidation Basis).

NOTE E − FAIR VALUE MEASUREMENTS

The Company values its assets and liabilities using the methods of fair-value as described in ASC 820, *Fair Value Measurements and Disclosures*. In accordance with ASC 820, the Company determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). We classify fair value balances based on the observability of those inputs. The three levels of the fair value hierarchy are as follows:

Level 1−Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2−Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and amounts derived from valuation models where all significant inputs are observable in active markets.

Level 3−Unobservable inputs that reflect management’ s assumptions.

For disclosure purposes, assets and liabilities are classified in their entirety in the fair value hierarchy level based on the lowest level of input that is significant to the overall fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

The following table sets forth the assets and liabilities measured at fair value on a recurring basis, by input level, in the consolidated statement of net assets at December 31, 2012:

	Level 1	Level 2	Level 3	Total
Municipal Bonds	$23,697	$ –	$ –	$23,697
Certificates of Deposit	4,907	–	–	4,907
Total assets at fair value	$28,604	$ –	$ –	$28,604

The following table sets forth the assets and liabilities measured at fair value on a recurring basis, by input level, in the consolidated statement of net assets at December 31, 2011:

	Level 1	Level 2	Level 3	Total
Municipal Bonds	$22,892	–	–	$22,892
Certificates of Deposit	5,003	–	–	5,003
Total assets at fair value	$27,895	$ –	$ –	$27,895

NOTE F – CONTINGENCIES AND COMMITMENTS

DOJ Subpoena

On January 19, 2010, the Company received a subpoena and communications from the U.S. Department of Justice ("DOJ") requesting the Company produce documents relating to its dealings with foreign governments. The subpoena stated that it was issued in connection with an ongoing criminal investigation. See Note B for additional information regarding the DOJ proceedings.

Employee Severance Payments

The Company entered into employment agreements with certain management personnel at the Company' s subsidiaries and with certain domestic management personnel. These agreements provided for severance payments in the event of termination under certain conditions. In September 2010, the Company paid $1,650 in satisfaction of its severance obligations to the Company' s management personnel. Employment agreements with employees at Mecar and Mecar USA were assigned as part of the sale transactions. The Company is obligated to pay up to $0.075 million of additional severance payments at the time it makes distributions to stockholders. These expenses are included in the estimated net costs to be incurred during liquidation.

Leases

The Company leased domestic office space under an operating lease which expired in January 2013. The Company had subleased this office space to an unaffiliated party who has vacated the space at expiration of the lease.

Indemnification provisions

The Company sold its SeaSpace, Titan, the VSK Group, GMS and NSM subsidiaries in separate transactions starting with the first transaction closing in 2007. In each transaction, the Company agreed to indemnify the purchaser for periods subsequent to closing for losses arising from breaches of representations, warranties and covenants. Indemnification periods varied based on the particular representation, warranty or covenant covered, the vast majority of which have all expired. As of December 31, 2012, the only remaining indemnification obligations relate to representations and warranties concerning taxes, environmental matters, breaches of title, breaches of authorization and fraud. For SeaSpace, Titan, the VSK Group, GMS and NSM, these indemnification provisions have been capped at $1,000, $950, $6,607 (5,000), $5,200 and $863, respectively. At December 31, 2012, no amount has been accrued related to these indemnifications as a liability is not deemed probable.

On June 24, 2010, the Company signed a definitive purchase and sale agreement with Chemring Group PLC pursuant to which Chemring agreed to acquire substantially all of the assets of the Company for $59,560 in cash and the assumption of certain liabilities. The purchase and sale agreement contains certain indemnification provisions pursuant to which the Company may be required to indemnify the buyer for a period subsequent to the completion of the sale for any and all losses directly or indirectly based upon, related to, arising out of or in connection with Mecar' s completed contracts, Mecar USA liabilities retained by the Company and any failure by the Company to satisfy all transaction related expenses. The Company' s indemnification liability is limited to, and capped at, the escrowed amount of $15,000 plus the accumulated interest. The Company' s indemnification obligations expire upon the earlier of (i) June 30, 2015 or (ii) the Company' s entry into either a court or administrative order or a Chemring-approved settlement agreement, in either case, finally resolving the matters relating to the DOJ' s subpoena. In the absence of such final resolution, in certain circumstances, up to 50% of the escrowed funds may be released as early as June 24, 2013. At December 31, 2012, no amount has been accrued related to this indemnification as a liability is not deemed probable.

NOTE G − STOCKHOLDERS' EQUITY

Rights Agreement

The Board of Directors adopted a Rights Agreement in 2001 and subsequently amended the agreement. The Rights Agreement expired at the close of business on December 31, 2011. Each right under the Rights Agreement entitled a stockholder to acquire at a purchase price of $50, one-hundredth of a share of preferred stock which carried voting and dividend rights similar to one share of common stock. Alternatively, a right holder could elect to purchase for $50 an equivalent number of common shares (or in certain circumstances, cash, property or other securities of the Company) at a price per share equal to one-half of the average market price for a specified period. In lieu of the purchase price, a right holder could elect to acquire one-half of the common shares available under the second option. The purchase price and the preferred share fractional amount were subject to adjustment for certain events as described in the Agreement.

NOTE H − PROVISION FOR INCOME TAXES

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the consolidated financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse.

As of December 31, 2010, the Company provided for U.S. tax on foreign earnings of approximately $25,475 that is expected to be repatriated. As of December 31, 2012, $13,757 had been successfully repatriated. Income taxes related to repatriation of cash held in foreign countries is not expected to exceed $350. As of December 31, 2012, $200 of income taxes related to the repatriation has been paid and the remainder is expected to be paid in 2013. As of December 31, 2012, the fair value of net deferred tax assets is zero due to full valuation allowance.

The Company has reviewed all available information and has determined that there does not appear to have been an "ownership change" within the meaning of Section 382 of the Internal Revenue Code. If the Company is deemed to have had a change prior to the repatriation of foreign earnings, the Company' s ability to utilize its net operating loss and foreign tax credit carryovers to offset U.S. tax on the foreign earnings may be significantly limited.

As of December 31, 2012 and December 31, 2011, the Company had no unrecognized tax benefits. For the year ended December 31, 2012, there were no interest or penalties recorded.

In Belgium, the Company is still open to examination by the Belgian tax authorities from 2009 forward. Currently the tax years 2009 and 2010 are under examination. It is unclear at the present whether the results of that audit would have a material effect on the Company' s financial statements. In the United States, the Company is still open to examination from 2009 forward, although carryforward tax attributes that were generated prior to 2009 may still be adjusted upon examination by the U.S. tax authorities if they either have been or will be utilized.

NOTE I – SUBSEQUENT EVENTS

In accordance with Codification 855-50, "*Subsequent Events*", the Company has reviewed subsequent events through the date of the filing and has determined there are no subsequent events that require disclosure.

EXHIBIT INDEX

Number	Description of Exhibit	Page
21	List of Subsidiaries	E-2
31.1	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002, dated March 29, 2013	E-3
31.2	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002, dated March 29, 2013	E-4
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002, dated March 29, 2013	E-5
101	The following financial information from our Annual Report on Form 10-K for 2012 filed with the SEC formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Net Assets (liquidation basis) as of December 31, 2012 and December 31, 2011; (ii) Consolidated Statements of Changes in Net Assets (liquidation basis) for the years ended December 31, 2012 and 2011.	

EXHIBIT 21

The Allied Defense Group, Inc.

LIST OF SUBSIDIARIES

1. ARC Europe, S.A., a Belgian Corporation
2. ADG Sub USA, Inc. (formerly Mecar USA, Inc.)
3. Allied Research BV, a Dutch company and,
4. Allied Research Cooperative U.A. (“Coop”), a Dutch cooperative

Exhibit 31.1

CERTIFICATION

I, John G. Meyer, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of The Allied Defense Group, Inc.

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’ s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’ s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’ s internal control over financial reporting that occurred during the registrant’ s most recent fiscal quarter (the registrant’ s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’ s internal control over financial reporting; and

5. The registrant’ s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’ s auditors and the audit committee of registrant’ s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’ s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’ s internal control over financial reporting.

/s/ John G. Meyer, Jr.

John G. Meyer, Jr., Chief Executive Officer and
President

Date: March 29, 2013

Exhibit 31.2

CERTIFICATION

I, Charles S. Ream, certify that:

1. I have reviewed this annual report on Form 10-K of The Allied Defense Group, Inc.

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of registrant' s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

/s/ Charles S. Ream

Charles S. Ream, Chief Financial Officer and Treasurer

Date: March 29, 2013

Exhibit 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT**

In connection with the Report of The Allied Defense Group Inc. ("Allied") on Form 10-K of the year ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, the undersigned, John G. Meyer, Jr., as Chief Executive Officer and Charles S. Ream, as Chief Financial Officer of Allied, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of Allied.

/s/ Charles S. Ream	/s/ John G. Meyer, Jr.
Charles S. Ream, Chief Financial Officer and Treasurer	John G. Meyer, Jr., Chief Executive Officer and President

Contingencies and Commitments	12 Months Ended Dec. 31, 2012
DOJ Legal Proceedings/ Contingencies and Commitments [Abstract]	
CONTINGENCIES AND COMMITMENTS	

NOTE F — CONTINGENCIES AND COMMITMENTS

DOJ Subpoena

On January 19, 2010, the Company received a subpoena and communications from the U.S. Department of Justice ("DOJ") requesting the Company produce documents relating to its dealings with foreign governments. The subpoena stated that it was issued in connection with an ongoing criminal investigation. See Note B for additional information regarding the DOJ proceedings.

Employee Severance Payments

The Company entered into employment agreements with certain management personnel at the Company's subsidiaries and with certain domestic management personnel. These agreements provided for severance payments in the event of termination under certain conditions. In September 2010, the Company paid $1,650 in satisfaction of its severance obligations to the Company's management personnel. Employment agreements with employees at Mecar and Mecar USA were assigned as part of the sale transactions. The Company is obligated to pay up to $0.075 million of additional severance payments at the time it makes distributions to stockholders. These expenses are included in the estimated net costs to be incurred during liquidation.

Leases

The Company leased domestic office space under an operating lease which expired in January 2013. The Company had subleased this office space to an unaffiliated party who has vacated the space at expiration of the lease.

Indemnification provisions

The Company sold its SeaSpace, Titan, the VSK Group, GMS and NSM subsidiaries in separate transactions starting with the first transaction closing in 2007. In each transaction, the Company agreed to indemnify the purchaser for periods subsequent to closing for losses arising from breaches of representations, warranties and covenants. Indemnification periods varied based on the particular representation, warranty or covenant covered, the vast majority of which have all expired. As of December 31, 2012, the only remaining indemnification obligations relate to representations and warranties concerning taxes, environmental matters, breaches of title, breaches of authorization and fraud. For SeaSpace, Titan, the VSK Group, GMS and NSM, these indemnification provisions have been capped at $1,000, $950, $6,607 (€5,000), $5,200 and $863, respectively. At December 31, 2012, no amount has been accrued related to these indemnifications as a liability is not deemed probable.

On June 24, 2010, the Company signed a definitive purchase and sale agreement with Chemring Group PLC pursuant to which Chemring agreed to acquire substantially all of the assets of the Company for $59,560 in cash and the assumption of certain liabilities. The purchase and sale agreement contains certain indemnification provisions pursuant to which the Company may be required to indemnify the buyer for a period subsequent to the completion of the sale for any and all losses directly or indirectly based upon, related to, arising out of or in connection with Mecar's completed contracts, Mecar USA liabilities retained by the Company and any failure by the Company to satisfy all transaction related expenses. The Company's indemnification liability is limited to, and capped at, the escrowed amount of $15,000 plus the accumulated interest. The Company's indemnification obligations expire upon the earlier of (i) June 30, 2015 or (ii) the Company's entry into either a court or administrative order or a Chemring-approved settlement agreement, in either case, finally resolving the matters relating to the DOJ's subpoena. In the absence of such final resolution, in certain circumstances, up to 50% of the escrowed funds may be released as early as June 24, 2013. At December 31, 2012, no amount has been accrued related to this indemnification as a liability is not deemed probable.

Fair Value Measurements	12 Months Ended Dec. 31, 2012

Fair Value Measurements [Abstract]

FAIR VALUE MEASUREMENTS

NOTE E — FAIR VALUE MEASUREMENTS

The Company values its assets and liabilities using the methods of fair-value as described in ASC 820, *Fair Value Measurements and Disclosures*. In accordance with ASC 820, the Company determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). We classify fair value balances based on the observability of those inputs. The three levels of the fair value hierarchy are as follows:

• Level 1—Observable inputs such as quoted prices in active markets for identical assets or liabilities.

• Level 2—Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and amounts derived from valuation models where all significant inputs are observable in active markets.

• Level 3—Unobservable inputs that reflect management's assumptions.

For disclosure purposes, assets and liabilities are classified in their entirety in the fair value hierarchy level based on the lowest level of input that is significant to the overall fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

The following table sets forth the assets and liabilities measured at fair value on a recurring basis, by input level, in the consolidated statement of net assets at December 31, 2012:

	Level 1	Level 2	Level 3	Total
Municipal Bonds	$23,697	$—	$—	$23,697
Certificates of Deposit	4,907	—	—	4,907
Total assets at fair value	$28,604	$—	$—	$28,604

The following table sets forth the assets and liabilities measured at fair value on a recurring basis, by input level, in the consolidated statement of net assets at December 31, 2011:

	Level 1	Level 2	Level 3	Total
Municipal Bonds	$22,892	—	—	$22,892
Certificates of Deposit	5,003	—	—	5,003
Total assets at fair value	$27,895	$—	$—	$27,895

Consolidated Statements of Net Assets (Liquidation Basis) (USD $) In Thousands, except Share data, unless otherwise specified	Dec. 31, 2012	Dec. 31, 2011
ASSETS		
Cash and cash equivalents	$ 1,079	$ 3,617
Short-term investments	28,604	27,895
Prepaid expenses		219
Accrued interest receivable	330	428
Funds held in escrow	15,013	15,010
TOTAL ASSETS	45,026	47,169
LIABILITIES		
Estimated net costs to be incurred during liquidation	1,577	2,688
Accounts payable	95	57
Other liabilities	98	91
TOTAL LIABILITIES	1,770	2,836
NET ASSETS IN LIQUIDATION	$ 43,256	$ 44,333
NUMBER OF SHARES OUTSTANDING	8,235,195	8,235,195
NET ASSETS IN LIQUIDATION PER SHARE	$ 5.25	$ 5.38

Summary of Significant Accounting Policies	12 Months Ended Dec. 31, 2012
Summary of Significant Accounting Policies [Abstract]	
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Liquidation Basis of Accounting

With the authorization of the Plan of Dissolution, the Company adopted the liquidation basis of accounting effective as the close of business on September 30, 2010. The liquidation basis of accounting will continue to be used by the Company until such time that the plan is terminated. Under the liquidation basis of accounting, assets are stated at their estimated net realizable value and liabilities are stated at their estimated settlement amounts, which estimates will be periodically reviewed and adjusted as appropriate. Consolidated statements of net assets (liquidation basis) and consolidated statements of changes in net assets (liquidation basis) are the principal financial statements presented under the liquidation basis of accounting. The valuations of assets at their net realizable value and liabilities at their anticipated settlement amounts represent estimates, based on present facts and circumstances associated with carrying out the Plan of Dissolution based on the assumptions set forth below. The actual values and costs associated with carrying out the Plan of Dissolution are expected to differ from the amounts shown herein because of the inherent uncertainty and will be greater than or less than the amounts recorded. Such differences may be material. In particular, the estimates of the Company's costs will vary with the length of time it operates under the Plan of Dissolution. Accordingly, it is not possible to predict the aggregate amount or timing of future distributions to stockholders, as long as the plan is in effect, and no assurance can be given that the amount of liquidating distributions to be received will equal or exceed the estimate of net assets in liquidation presented in the accompanying consolidated statements of net assets (liquidation basis).Under the liquidation basis of accounting, the carrying amounts of assets as of the close of business on September 30, 2010, the date of the authorization of the Plan of Dissolution by the Company, were adjusted to their estimated net realizable values and liabilities, including the estimated costs associated with implementing the Plan of Dissolution, were stated at their estimated settlement amounts. Such value estimates were updated by the Company as of December 31, 2011 and December 31, 2012. The majority of net assets in liquidation at December 31, 2011 and December 31, 2012 were highly liquid and did not require adjustment as their estimated net realizable value approximates their current book value. The exception is the short-term investments which are subject to changes in market value.

The Company is also required to estimate and accrue the costs associated with implementing and completing the Plan of Dissolution under the liquidation basis of accounting. These amounts can vary significantly due to, among other things, the costs of retaining personnel and others to oversee the liquidation, including compensation for remaining directors, insurance costs, fees for legal and other professional service providers, income taxes, and miscellaneous other costs, partially offset by estimated future interest earnings on the Company's short-term investments. Such net costs were estimated to be $1,577 as of December 31, 2012.

The estimated net costs to be incurred during liquidation as of December 31, 2012 are as follows:

Estimated net costs to be incurred during liquidation:	
Compensation for remaining employees and directors	$193
Compliance and other office costs	236
Insurance Fees	210
Professional Fees	878
Income Taxes	150
Subtotal	1,667
Less: interest income on cash and investment balances	(90)
Total net costs to be incurred during liquidation	$1,577

These estimates are based on assumptions regarding the Company's ability to settle outstanding obligations to creditors, resolve outstanding litigation, and the ultimate timing of distributions to its stockholders, but does not include settlement amounts, fines or penalties, if any, that the Company might incur as a result of the DOJ subpoena or any other legal proceedings. These estimates will be reviewed quarterly and adjusted as projections and assumptions change.

Principles of Consolidation

As of December 31, 2012, the consolidated financial statements of the Company include the accounts of Allied and its wholly-owned subsidiaries, which are as follows:

- ARC Europe, a Belgian company,
- Allied Research BV ("BV"), a Dutch company,
- Allied Research Cooperative ("Coop") and,
- ADG Sub USA, Inc. ("USA")

On September 1, 2010, as discussed in Note A, Chemring acquired the assets of Mecar USA and the stock of Mecar, a wholly owned subsidiary of ARC Europe.

Significant intercompany transactions have been eliminated in the consolidation.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and investment income and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation

The assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at period-end exchange rates. Income and expense items are converted into U.S. dollars at average rates of exchange prevailing during the period.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Reclassification

Reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

Short-term investments

Cash in excess of funds required for immediate use by the Company has been invested with the primary goal to preserve capital. As such, the funds are invested in short-term, high-quality, fixed-income securities which have a maturity of less than 12 months and are accounted for at fair value. As of December 31, 2012 and December 31, 2011, the fair value of these investments was $28,604 and $27,895, respectively, and was included in short-term investments on the consolidated statements of net assets.

In addition to short-term investments, the Company invests in money market funds which are classified as cash equivalents. Amounts are transferred between short-term investments and money market funds based on investment availability and yield.

Concentrations of Credit Risk

Financial instruments and related items which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances.

Reportable segments

Prior to September 2010, the Company operated within two operating segments: Mecar and Mecar USA. In September 2010, the Company completed the divesture of Mecar and Mecar. As a result, Allied no longer has operating segments.

Recent Accounting Pronouncements

In May 2011, the FASB issued a new accounting standard update, which amends the fair value measurement guidance and includes some enhanced disclosure requirements. The most significant change in disclosures is an expansion of the information required for Level 3 measurements based on unobservable inputs. The standard is effective for fiscal years beginning after December 15, 2011.

Under the liquidation basis of accounting, the Company does not expect any recent accounting pronouncements to impact the Consolidated Statement of Net Assets.

Stockholders' Equity (Details) (USD $) In Thousands, unless otherwise specified	12 Months Ended	
	Dec. 31, 2012	Dec. 31, 2011
Stockholders Equity (Textual) [Abstract]		
Rights Agreement to acquire preferred stock		$ 50
Part of shares of preferred stock having similar voting and dividend rights as common stock	one-hundredth of a share of preferred stock	

Funds Held in Escrow	12 Months Ended Dec. 31, 2012
Description of Business/ Funds Held in Escrow [Abstract]	
FUNDS HELD IN ESCROW	**NOTE D — FUNDS HELD IN ESCROW** On June 24, 2010, the Company signed a definitive purchase and sale agreement with Chemring Group PLC pursuant to which Chemring agreed to acquire substantially all of the assets of the Company for $59,560 in cash and the assumption of certain liabilities. As of December 31, 2012 and 2011, $15,000 of the proceeds of the sale remains deposited in an escrow account to secure the Company's indemnification obligations under the Agreement. Such amounts are included in Funds held in escrow on the Consolidated Statements of Net Assets (Liquidation Basis).

Consolidated Statements of Changes in Net Assets (Liquidation Basis) (USD $) In Thousands, unless otherwise specified	12 Months Ended	
	Dec. 31, 2012	Dec. 31, 2011
Consolidated Statements of Changes in Net Assets (Liquidation Basis) [Abstract]		
Net assets on liquidation basis at beginning of period	$ 44,333	$ 45,629
Changes in fair value of net assets in liquidation		
Adjust net assets to fair value	139	(1,577)
Increase in estimated net costs to be incurred during liquidation	(1,050)	(1,184)
Adjust estimated income to be earned during liquidation	(166)	1,465
Net assets on liquidation basis at end of period	$ 43,256	$ 44,333

Summary of Significant Accounting Policies (Details) (USD $) In Thousands, unless otherwise specified	Dec. 31, 2012	Dec. 31, 2011
Estimated net costs to be incurred during liquidation		
Compensation for remaining employees and directors	$ 193	
Compliance and other office costs	236	
Insurance Fees	210	
Professional Fees	878	
Income Taxes	150	
Subtotal	1,667	
Less: Interest income on cash and investment balances	(90)	
Total net costs to be incurred during liquidation	$ 1,577	$ 2,688

Document and Entity Information (USD $)	12 Months Ended Dec. 31, 2012	Feb. 28, 2013	Jun. 30, 2012
Document and Entity Information [Abstract]			
Entity Registrant Name	ALLIED DEFENSE GROUP INC		
Entity Central Index Key	0000003952		
Document Type	10-K		
Document Period End Date	Dec. 31, 2012		
Amendment Flag	false		
Document Fiscal Year Focus	2012		
Document Fiscal Period Focus	FY		
Current Fiscal Year End Date	--12-31		
Entity Well-known Seasoned Issuer	No		
Entity Voluntary Filers	No		
Entity Current Reporting Status	Yes		
Entity Filer Category	Smaller Reporting Company		
Entity Public Float			$ 29,471,514
Entity Common Stock, Shares Outstanding		8,235,195	

Summary of Significant Accounting Policies (Details Textual) (USD $) In Thousands, unless otherwise specified	12 Months Ended	
	Dec. 31, 2012	Dec. 31, 2011
Summary of Significant Accounting Policies (Textual) [Abstract]		
Liquidation Date	Sep. 30, 2010	
Maturity Period of highly Liquid investment	Less than 3 months	
Fixed income securities maturity period	less than 12 months	
Short-term investments	$ 28,604	$ 27,895
Estimated net costs to be incurred during liquidation	$ 1,577	$ 2,688

Description of Business	12 Months Ended Dec. 31, 2012
Description of Business/ Funds Held in Escrow [Abstract]	
DESCRIPTION OF BUSINESS	**NOTE A — DESCRIPTION OF BUSINESS** **Business Operations** The Allied Defense Group Inc. (“Allied” or the “Company”), a Delaware corporation, previously conducted a multinational defense business focused on the manufacture and sale of ammunition and ammunition related products for use by the U.S. and foreign governments. Allied’s business was conducted by its two wholly owned subsidiaries: MECAR sprl, formerly Mecar S.A. (“Mecar”), and ADG Sub USA, Inc., formerly Mecar USA, Inc. (“Mecar USA”). **Plan of Dissolution and Liquidation** On June 24, 2010, the Company signed a definitive purchase and sale agreement (the “Agreement”) with Chemring Group PLC (“Chemring”) pursuant to which Chemring agreed to acquire substantially all of the assets of the Company for $59,560 in cash and the assumption of certain liabilities. On September 1, 2010, the Company completed the asset sale to Chemring contemplated by the Agreement. Pursuant to the Agreement, Chemring acquired all of the capital stock of Mecar for approximately $45,810 in cash, and separately Chemring acquired substantially all of the assets of Mecar USA for $13,750 in cash and the assumption by Chemring of certain specified liabilities of Mecar USA. A portion of the purchase price was paid through the repayment of certain intercompany indebtedness owed to the Company that would otherwise have been cancelled at closing. $15,000 of the proceeds of the sale was deposited into escrow to secure the Company’s indemnification obligations under the Agreement. In conjunction with the Agreement, the Board of Directors of the Company unanimously approved the dissolution of the Company pursuant to a Plan of Complete Liquidation and Dissolution (“Plan of Dissolution”). The Company’s stockholders approved the Plan of Dissolution on September 30, 2010. In response to concerns of certain of the Company’s stockholders, the Company agreed to delay the filing of a certificate of dissolution with the Delaware Secretary of State. The Company filed a certificate of dissolution with the Delaware Secretary of State on August 31, 2011. In connection with this filing, our stock transfer agent has ceased recording transfers of our stock and our stock is no longer publicly traded.

Subsequent Events	12 Months Ended Dec. 31, 2012
Subsequent Events [Abstract]	
SUBSEQUENT EVENTS	**NOTE I — SUBSEQUENT EVENTS** In accordance with Codification 855-50, "*Subsequent Events*", the Company has reviewed subsequent events through the date of the filing and has determined there are no subsequent events that require disclosure.

Provision for Income Taxes	12 Months Ended Dec. 31, 2012
Provision for Income Taxes [Abstract]	
PROVISION FOR INCOME TAXES	**NOTE H — PROVISION FOR INCOME TAXES** The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the consolidated financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. As of December 31, 2010, the Company provided for U.S. tax on foreign earnings of approximately $25,475 that is expected to be repatriated. As of December 31, 2012, $13,757 had been successfully repatriated. Income taxes related to repatriation of cash held in foreign countries is not expected to exceed $350. As of December 31, 2012, $200 of income taxes related to the repatriation has been paid and the remainder is expected to be paid in 2013. As of December 31, 2012, the fair value of net deferred tax assets is zero due to full valuation allowance. The Company has reviewed all available information and has determined that there does not appear to have been an "ownership change" within the meaning of Section 382 of the Internal Revenue Code. If the Company is deemed to have had a change prior to the repatriation of foreign earnings, the Company's ability to utilize its net operating loss and foreign tax credit carryovers to offset U.S. tax on the foreign earnings may be significantly limited. As of December 31, 2012 and December 31, 2011, the Company had no unrecognized tax benefits. For the year ended December 31, 2012, there were no interest or penalties recorded. In Belgium, the Company is still open to examination by the Belgian tax authorities from 2009 forward. Currently the tax years 2009 and 2010 are under examination. It is unclear at the present whether the results of that audit would have a material effect on the Company's financial statements. In the United States, the Company is still open to examination from 2009 forward, although carryforward tax attributes that were generated prior to 2009 may still be adjusted upon examination by the U.S. tax authorities if they either have been or will be utilized.

Provision for Income Taxes (Details) (USD $) In Thousands, unless otherwise specified	12 Months Ended		
	Dec. 31, 2012	Dec. 31, 2010	Dec. 31, 2011
Provision for Taxes (Textual) [Abstract]			
Foreign earnings expected to be repatriated		$ 25,475	
Foreign earnings successfully repatriated	13,757		
Income taxes related to repatriation of cash		350	
Income tax reconciliation repatriation paid	200		
Fair value of net deferred tax assets	0		
Interest or penalties recorded for income taxes	0		
Unrecognized tax liabilities	$ 0		$ 0

Funds Held in Escrow (Details) (USD $) In Thousands, unless otherwise specified	12 Months Ended Dec. 31, 2012	Dec. 31, 2011
Funds Held In Escrow (Textual) [Abstract]		
Date of Agreement	Jun. 24, 2010	
Purchase price of assets and liabilities assumed	$ 59,560	
Funds held in escrow	$ 15,013	$ 15,010

Fair Value Measurements (Tables)	12 Months Ended Dec. 31, 2012
Fair Value Measurements [Abstract]	
Assets and liabilities measured at fair value on a recurring basis, by input level	

	Level 1	Level 2	Level 3	Total
Municipal Bonds	$23,697	$—	$—	$23,697
Certificates of Deposit	4,907	—	—	4,907
Total assets at fair value	$28,604	$—	$—	$28,604

	Level 1	Level 2	Level 3	Total
Municipal Bonds	$22,892	—	—	$22,892
Certificates of Deposit	5,003	—	—	5,003
Total assets at fair value	$27,895	$—	$—	$27,895

Summary of Significant Accounting Policies (Policies)	12 Months Ended Dec. 31, 2012
Summary of Significant Accounting Policies [Abstract]	
Liquidation Basis of Accounting	*Liquidation Basis of Accounting*

With the authorization of the Plan of Dissolution, the Company adopted the liquidation basis of accounting effective as the close of business on September 30, 2010. The liquidation basis of accounting will continue to be used by the Company until such time that the plan is terminated. Under the liquidation basis of accounting, assets are stated at their estimated net realizable value and liabilities are stated at their estimated settlement amounts, which estimates will be periodically reviewed and adjusted as appropriate. Consolidated statements of net assets (liquidation basis) and consolidated statements of changes in net assets (liquidation basis) are the principal financial statements presented under the liquidation basis of accounting. The valuations of assets at their net realizable value and liabilities at their anticipated settlement amounts represent estimates, based on present facts and circumstances associated with carrying out the Plan of Dissolution based on the assumptions set forth below. The actual values and costs associated with carrying out the Plan of Dissolution are expected to differ from the amounts shown herein because of the inherent uncertainty and will be greater than or less than the amounts recorded. Such differences may be material. In particular, the estimates of the Company's costs will vary with the length of time it operates under the Plan of Dissolution. Accordingly, it is not possible to predict the aggregate amount or timing of future distributions to stockholders, as long as the plan is in effect, and no assurance can be given that the amount of liquidating distributions to be received will equal or exceed the estimate of net assets in liquidation presented in the accompanying consolidated statements of net assets (liquidation basis).Under the liquidation basis of accounting, the carrying amounts of assets as of the close of business on September 30, 2010, the date of the authorization of the Plan of Dissolution by the Company, were adjusted to their estimated net realizable values and liabilities, including the estimated costs associated with implementing the Plan of Dissolution, were stated at their estimated settlement amounts. Such value estimates were updated by the Company as of December 31, 2011 and December 31, 2012. The majority of net assets in liquidation at December 31, 2011 and December 31, 2012 were highly liquid and did not require adjustment as their estimated net realizable value approximates their current book value. The exception is the short-term investments which are subject to changes in market value.

The Company is also required to estimate and accrue the costs associated with implementing and completing the Plan of Dissolution under the liquidation basis of accounting. These amounts can vary significantly due to, among other things, the costs of retaining personnel and others to oversee the liquidation, including compensation for remaining directors, insurance costs, fees for legal and other professional service providers, income taxes, and miscellaneous other costs, partially offset by estimated future interest earnings on the Company's short-term investments. Such net costs were estimated to be $1,577 as of December 31, 2012.

The estimated net costs to be incurred during liquidation as of December 31, 2012 are as follows:

Estimated net costs to be incurred during liquidation:

Compensation for remaining employees and directors	$193
Compliance and other office costs	236
Insurance Fees	210
Professional Fees	878
Income Taxes	150
Subtotal	1,667
Less: interest income on cash and investment balances	(90)
Total net costs to be incurred during liquidation	$1,577

These estimates are based on assumptions regarding the Company's ability to settle outstanding obligations to creditors, resolve outstanding litigation, and the ultimate timing of distributions to its stockholders, but does not include settlement amounts, fines or penalties, if any, that the Company might incur as a result of the DOJ subpoena or any other legal proceedings. These estimates will be reviewed quarterly and adjusted as projections and assumptions change.

Principles of Consolidation

Principles of Consolidation

As of December 31, 2012, the consolidated financial statements of the Company include the accounts of Allied and its wholly-owned subsidiaries, which are as follows:

- ARC Europe, a Belgian company,
- Allied Research BV ("BV"), a Dutch company,
- Allied Research Cooperative ("Coop") and,
- ADG Sub USA, Inc. ("USA")

On September 1, 2010, as discussed in Note A, Chemring acquired the assets of Mecar USA and the stock of Mecar, a wholly owned subsidiary of ARC Europe.

Significant intercompany transactions have been eliminated in the consolidation.

Use of Estimates

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and investment income and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation

Foreign Currency Translation

The assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at period-end exchange rates. Income and expense items are converted into U.S. dollars at average rates of exchange prevailing during the period.

Cash and cash equivalents

Cash and cash equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Reclassification

Reclassification

Reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

Short-term investments

Short-term investments

Cash in excess of funds required for immediate use by the Company has been invested with the primary goal to preserve capital. As such, the funds are invested in short-term, high-quality, fixed-income securities which have a maturity of less than 12 months and are accounted for at fair value. As of December 31, 2012 and December 31, 2011, the fair value of these investments was $28,604 and $27,895, respectively, and was included in short-term investments on the consolidated statements of net assets.

In addition to short-term investments, the Company invests in money market funds which are classified as cash equivalents. Amounts are transferred between short-term investments and money market funds based on investment availability and yield.

Concentrations of Credit Risk

Concentrations of Credit Risk

Financial instruments and related items which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances.

Reportable segments

Reportable segments

Prior to September 2010, the Company operated within two operating segments: Mecar and Mecar USA. In September 2010, the Company completed the divesture of Mecar and Mecar. As a result, Allied no longer has operating segments.

Recent Accounting Pronouncements

Recent Accounting Pronouncements

In May 2011, the FASB issued a new accounting standard update, which amends the fair value measurement guidance and includes some enhanced disclosure requirements. The most significant change in disclosures is an expansion of the information required for Level 3 measurements based on unobservable inputs. The standard is effective for fiscal years beginning after December 15, 2011.

Under the liquidation basis of accounting, the Company does not expect any recent accounting pronouncements to impact the Consolidated Statement of Net Assets.

Summary of Significant Accounting Policies (Tables)	12 Months Ended Dec. 31, 2012
Summary of Significant Accounting Policies [Abstract]	
Estimated net costs to be incurred during liquidation	

Estimated net costs to be incurred during liquidation:	
Compensation for remaining employees and directors	$193
Compliance and other office costs	236
Insurance Fees	210
Professional Fees	878
Income Taxes	150
Subtotal	1,667
Less: interest income on cash and investment balances	(90)
Total net costs to be incurred during liquidation	$1,577

Description of Business (Details) (USD $) In Thousands, unless otherwise specified	12 Months Ended Dec. 31, 2012 Subsidiary
Description of Business (Textual) [Abstract]	
Number of owned subsidiaries	2
Date of Agreement	Jun. 24, 2010
Purchase price of assets and liabilities assumed	$ 59,560
Effective date of agreement	Sep. 01, 2010
Capital stock acquired in cash	45,810
Acquisition of assets and liabilities in cash	13,750
Amount deposited into escrow	$ 15,000
Certificate of dissolution with Delaware Secretary of State	Aug. 31, 2011

Contingencies and Commitments (Details) In Thousands, unless otherwise specified	1 Months Ended Sep. 30, 2010 USD ($)	12 Months Ended Dec. 31, 2012 USD ($)	Dec. 31, 2012 Subsidiaries [Member] USD ($)	Dec. 31, 2012 Subsidiaries acquired by Chemring Group PLC [Member] USD ($)	Jun. 24, 2010 Subsidiaries acquired by Chemring Group PLC [Member] USD ($)	12 Months Ended Dec. 31, 2012 Indemnification provisions [Member] Subsidiaries acquired by Chemring Group PLC [Member]	Jun. 24, 2010 Indemnification provisions [Member] Subsidiaries acquired by Chemring Group PLC [Member] USD ($)	Dec. 31, 2012 Sea Space [Member] Indemnification provisions [Member] Subsidiaries [Member] USD ($)	Dec. 31, 2012 Titan [Member] Indemnification provisions [Member] Subsidiaries [Member] USD ($)	Dec. 31, 2012 VSK Group [Member] Indemnification provisions [Member] Subsidiaries [Member] USD ($)	Dec. 31, 2012 VSK Group [Member] Indemnification provisions [Member] Subsidiaries [Member] EUR (€)	Dec. 31, 2012 GMS [Member] Indemnification provisions [Member] Subsidiaries [Member] USD ($)	Dec. 31, 2012 NSM [Member] Indemnification provisions [Member] Subsidiaries [Member] USD ($)
Product Liability Contingency [Line Items]													
Provisions estimated loss								$ 1,000	$ 950	$ 6,607	€ 5,000	$ 5,200	$ 863
Accrued liability related to indemnification			0	0									
Cash paid to acquire assets					59,560								
Company's indemnification liability is limited to, escrowed amount		15,000					15,000						
Obligation Conditions						The Company’s indemnification obligations expire upon the earlier of (i) June 30, 2015 or (ii) the Company’s entry into either a court or administrative order or a Chemring-approved settlement agreement, in either case, finally resolving the matters relating to the DOJ’s subpoena							
Indemnification obligations expire						Jun. 30, 2015							
Escrowed funds may be released		50.00%											
Escrowed funds release date				Jun. 24, 2013									
Commitments and contingencies (Textual) [Abstract]													
Severance obligations	1,650												
Additional severance payments company is obligated to pay		$ 75											
Operating lease expiration year		2013											

DOJ Legal Proceedings	12 Months Ended Dec. 31, 2012
DOJ Legal Proceedings/ Contingencies and Commitments [Abstract]	
DOJ LEGAL PROCEEDINGS	

NOTE B – DOJ LEGAL PROCEEDINGS

On January 19, 2010, the Company received a subpoena and communications from the U.S. Department of Justice ("DOJ") requesting the Company produce documents relating to its dealings with foreign governments. The subpoena stated that it was issued in connection with an ongoing criminal investigation. On the same day, the Company also became aware through a press release issued by the DOJ that an employee of Mecar USA had been indicted by the DOJ for allegedly engaging in schemes to bribe foreign government officials to obtain and retain business. The unsealed indictment of this employee and the DOJ's press release indicate that the alleged criminal conduct was on behalf of a Decatur, Georgia company which is unrelated to the Company or Mecar USA. Mecar USA's employment agreement with the employee provided that the employee not actively engage in any other employment, occupation or consulting activity that conflicts with the interests of the Company. In light of the employee's breach of his employment agreement, Mecar USA terminated his employment on January 20, 2010.

The former employee was arrested on January 19, 2010, along with twenty-one other individuals, after an undercover operation that targeted foreign bribery in the military, and small arms and ammunition industries. The indictments of the twenty-two individuals allege that the defendants conspired to violate the Foreign Corrupt Practices Act ("FCPA"), conspired to engage in money laundering and engaged in substantive violations of the FCPA.

Subsequently, the Company received notice from the DOJ that indicated that it would request additional documents and expand its review beyond matters relating to the indicted former employee of Mecar USA. The Company understands that the DOJ's expanded review was in connection with an industry-wide review. The Company has also received inquiries from the SEC on this matter. The SEC recently advised the Company that it will not pursue an enforcement action against the Company.

The Company is cooperating with the DOJ and complying with the DOJ's subpoena. The Company's ongoing compliance with these matters is being overseen by the Company's Board of Directors. The Board of Directors is being assisted in these matters by independent outside counsel. The Company cannot predict the outcome of these matters or the impact, if any, that they may have on our plan to return the net proceeds of the Chemring sale to our stockholders.

In early 2012, the DOJ dismissed charges against all individuals indicted in the FCPA sting operation, including the former employee of MECAR USA. Since this time, the Company's outside counsel has had numerous discussions with the DOJ regarding the inquiry. Based upon these discussions, it appears likely that resolution of this inquiry will involve a payment by the Company in connection with at least one transaction involving the former employee of Mecar USA. At this point, the amount of this payment is undeterminable.

No distributions to stockholders are expected prior to resolution of the DOJ inquiry and completion of the Delaware dissolution process which includes notice to creditors and publication of the dissolution, followed by a petition to the Delaware courts. The Company has commenced the creditor notice process and believes it will be in a position to make an initial distribution to shareholders by the end of 2013, contingent upon timely finalizing a settlement with DOJ.

For additional disclosures surrounding other legal, refer to Note F—Contingencies and Commitments.

Stockholders' Equity	12 Months Ended Dec. 31, 2012
Stockholders' Equity [Abstract]	
STOCKHOLDERS' EQUITY	**NOTE G — STOCKHOLDERS' EQUITY** **Rights Agreement** The Board of Directors adopted a Rights Agreement in 2001 and subsequently amended the agreement. The Rights Agreement expired at the close of business on December 31, 2011. Each right under the Rights Agreement entitled a stockholder to acquire at a purchase price of $50, one-hundredth of a share of preferred stock which carried voting and dividend rights similar to one share of common stock. Alternatively, a right holder could elect to purchase for $50 an equivalent number of common shares (or in certain circumstances, cash, property or other securities of the Company) at a price per share equal to one-half of the average market price for a specified period. In lieu of the purchase price, a right holder could elect to acquire one-half of the common shares available under the second option. The purchase price and the preferred share fractional amount were subject to adjustment for certain events as described in the Agreement.

Fair Value Measurements (Details) (Fair value measured on a recurring basis [Member], USD $) In Thousands, unless otherwise specified	Dec. 31, 2012	Dec. 31, 2011
Assets and liabilities measured at fair value on a recurring basis, by input level		
Total assets at fair value	$ 28,604	$ 27,895
Municipal Bonds [Member]		
Assets and liabilities measured at fair value on a recurring basis, by input level		
Total assets at fair value	23,697	22,892
Certificates of Deposit [Member]		
Assets and liabilities measured at fair value on a recurring basis, by input level		
Total assets at fair value	4,907	5,003
Level 1 [Member]		
Assets and liabilities measured at fair value on a recurring basis, by input level		
Total assets at fair value	28,604	27,895
Level 1 [Member] | Municipal Bonds [Member]		
Assets and liabilities measured at fair value on a recurring basis, by input level		
Total assets at fair value	23,697	22,892
Level 1 [Member] | Certificates of Deposit [Member]		
Assets and liabilities measured at fair value on a recurring basis, by input level		
Total assets at fair value	4,907	5,003
Level 2 [Member]		
Assets and liabilities measured at fair value on a recurring basis, by input level		
Total assets at fair value		
Level 2 [Member] | Municipal Bonds [Member]		
Assets and liabilities measured at fair value on a recurring basis, by input level		
Total assets at fair value		
Level 2 [Member] | Certificates of Deposit [Member]		
Assets and liabilities measured at fair value on a recurring basis, by input level		
Total assets at fair value		
Level 3 [Member]		
Assets and liabilities measured at fair value on a recurring basis, by input level		
Total assets at fair value		
Level 3 [Member] | Municipal Bonds [Member]		
Assets and liabilities measured at fair value on a recurring basis, by input level		
Total assets at fair value		
Level 3 [Member] | Certificates of Deposit [Member]		
Assets and liabilities measured at fair value on a recurring basis, by input level		
Total assets at fair value		