United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to
Section 13 or 15(d) of the Securities Exchange Act of 1934

December 14, 2010
(Date of Report)

GRAHAM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**1-8462**	**16-1194720**
(State of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

20 Florence Avenue, Batavia, New York	**14020**
(Address of principal executive offices)	(Zip Code)

(585) 343-2216
(Registrant’s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

On December 14, 2010 Graham Corporation (the "Company"), through its wholly-owned subsidiary ES Acquisition Corp. ("ES Acquisition"), completed the acquisition of Energy Steel and Supply Corp. ("Energy Steel"), a code fabrication and specialty machining company dedicated exclusively to the nuclear power industry and located in Lapeer, Michigan (the "Acquisition").

Stock Purchase Agreement. The Acquisition was completed by the Company and ES Acquisition pursuant to a Stock Purchase Agreement dated December 14, 2010 (the "Stock Purchase Agreement") by and among the Company, ES Acquisition, Energy Steel and Lisa D. Rice, as sole Trustee of the Lisa D. Rice Revocable Trust and as the sole shareholder of Energy Steel (the "Shareholder"). Pursuant the Stock Purchase Agreement, ES Acquisition acquired all of the outstanding shares of capital stock of Energy Steel from the Shareholder for $18,000,000. The Stock Purchase Agreement contains customary representations, warranties, covenants and indemnification rights. In connection with the Stock Purchase Agreement, the Company, ES Acquisition and the Shareholder also entered into an Earn Out Agreement, an Escrow Agreement, a Lease Agreement and the Shareholder and Energy Steel have entered into an Employment Agreement providing for the Shareholder to continue to serve as the President of Energy Steel through December 31, 2012.

Earn Out Agreement. The Earn Out Agreement dated December 14, 2010 provides that the Shareholder may receive up to $2,000,000 in additional consideration in connection with the Acquisition in the event that Energy Steel meets certain EBITDA (as defined in the Earn Out Agreement) thresholds.

The Shareholder will be entitled to receive the additional consideration set forth below in the event that the following EBITDA thresholds are met during calendar year 2011:

Calendar Year 2011 EBITDA Threshold	Amount of Earn Out Payment
≥ $3,625,000	$ 250,000
≥ $3,750,000	$ 500,000
≥ $3,875,000	$ 750,000
≥ $4,000,000	$ 1,000,000

The Shareholder will be entitled to receive the additional consideration set forth below in the event that the following EBITDA thresholds are met during calendar year 2012:

Calendar Year 2012 EBITDA Threshold	Amount of Earn Out Payment
≥ $3,625,000	$ 250,000
≥ $3,750,000	$ 500,000
≥ $3,875,000	$ 750,000
≥ $4,000,000	$ 1,000,000

In the event that no payment is made to the Shareholder under the Earn Out Agreement during calendar year 2011, the Shareholder may earn the amount that would have otherwise been payable during calendar year 2011 as a "catch up" payment if the sum of Energy Steel's calendar year 2011 and calendar year 2012 EBITDA meet the following thresholds:

Catch-Up EBITDA Threshold	Amount of Catch-Up Payment
≥ $7,250,000	$ 250,000
≥ $7,500,000	$ 500,000
≥ $7,750,000	$ 750,000
≥ $8,000,000	$ 1,000,000

In no event shall the Shareholder be entitled to receive more than $2,000,000 in earn out consideration.

Escrow Agreement. The Escrow Agreement dated December 14, 2010 between ES Acquisition and the Shareholder provides for the deposit by the Shareholder of $1,750,000 of the purchase price received by her in connection with the Acquisition with PNC Bank National Association, a third party escrow agent, in order to satisfy indemnification and other claims that the Company or ES Acquisition might make against the Shareholder under the Stock Purchase Agreement.

Lease Agreement. Also in connection with the Acquisition, the Company and Energy Steel entered into a five year Lease Agreement dated December 14, 2010 (the "Lease Agreement") with ESSC Investments, LLC ("ESSC") for Energy Steel's manufacturing and office facilities located in Lapeer, Michigan. Under the terms of the Lease Agreement, Energy Steel's rent will remain constant at $300,000 for the term of the Lease Agreement and the Company and Energy Steel have an option to renew the Lease Agreement for an additional five year term. The Company and Energy Steel also have an option to purchase the leased facility for $2,500,000 at any time during the first two years of the Lease Agreement's term. ESSC is partly owned by the Shareholder.

Other. The above summary of the terms of the Stock Purchase Agreement, the Earn Out Agreement, the Escrow Agreement and the Lease Agreement are qualified in their entirety by reference to the actual text of such agreements, which will be filed as exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ending December 31, 2010.

Item 2.01. Completion of Acquisition or Disposition of Assets

The disclosure contained in Item 1.01 of this Current Report on Form 8-K is incorporated into this Item 2.01 by reference.

Item 8.01 Other Events

On December 14, 2010, the Company issued a press release announcing the Acquisition. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits

Exhibit	*Description*
99.1	Press Release of Graham Corporation dated December 14, 2010.

SIGNATURES

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

Date: December 14, 2010	**GRAHAM CORPORATION**
	/s/ Jeffrey Glajch
	Jeffrey Glajch
	Vice President — Finance & Administration and Chief Financial Officer

Exhibit 99.1

News Release

Graham Corporation 20 Florence Avenue Batavia, NY 14020

Graham Corporation Acquires Nuclear-Accredited Supplier
Energy Steel & Supply Co.

- ***Expands Graham's presence and enhances its capabilities in the nuclear power industry***
- ***Represents strong strategic fit:***
  - ***Provides market and product diversification***
  - ***Reduces cyclicality***
  - ***Accretive to first full year earnings***

BATAVIA, NY, December 14, 2010 — Graham Corporation (NYSE Amex: GHM), a designer and manufacturer of critical equipment for the oil refining, petrochemical and power industries, today announced that it has acquired privately-held Energy Steel & Supply Co. ("Energy Steel"), a leading code fabrication and specialty machining company dedicated exclusively to the nuclear power industry.

Graham acquired all of the stock of Energy Steel for approximately $18.0 million in cash. An additional purchase consideration of up to $2.0 million may be paid by Graham if Energy Steel exceeds profitability targets in calendar years 2011 and 2012. In addition, Graham entered into a long-term lease of Energy Steel's Lapeer manufacturing facility with an option to purchase. No debt was acquired in the transaction. Graham had $70.8 million in cash and equivalents and no debt at the end of its second quarter of fiscal 2011, which ended September 30, 2010. Graham expects third quarter transaction costs associated with the acquisition of approximately $0.07 to $0.09, net of tax, per diluted share. The transaction is expected to be earnings-neutral in the fourth quarter of fiscal 2011 and accretive to earnings in fiscal 2012.

James R. Lines, Graham's President and Chief Executive Officer, commented, "Energy Steel is an ideal complement to the Graham brand. It is a high-quality, custom fabricator offering specialized solutions to the nuclear industry and has a strong reputation for providing superior customer service. Acquiring Energy Steel is a logical step in broadening Graham's offerings to the energy markets and strengthening our presence in the nuclear sector in particular, which we consider an important growth market. I believe that the acquisition is an excellent strategic fit for us as it achieves our goals of growing through market and product diversification while reducing the cyclicality inherent in the oil and petrochemical industry. Energy Steel has been successful in its growth by taking market share within existing nuclear power plants. We expect that there is excellent future potential in leveraging Energy Steel's nuclear capability with Graham's engineering expertise in the expanding utility nuclear power base."

Lisa Rice, Energy Steel's President, stated, "We believe this combination will benefit our customers by joining our well-respected quality processes with Graham's design engineering and production resources. I also believe that it opens up growth opportunities for Energy Steel. We have grown nearly 60% in the last four years and believe that with the larger resource base Graham provides, we have significantly more potential in the existing power plant market, with the planned new nuclear power facilities in the U.S., and particularly in the international markets where Graham has a well-established reputation for quality engineering solutions, product reliability and responsive customer service."

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Ms. Rice will remain as Energy Steel's President, with responsibility for its operations and growth plans. During her nearly twenty-year career with Energy Steel, including the last seven as owner, Ms. Rice has directed Energy Steel's focus on providing on-time delivery, flawless workmanship, impeccable quality and unparalleled service to the company's customers in the nuclear energy industry.

Energy Steel, with expected revenue of approximately $17 million to $19 million in 2010, offers an array of original equipment and integrated solutions as well as spare parts for nuclear power installations, both inside the reactor vessel and outside the containment vessel. Energy Steel's solutions include pump refurbishment, desuperheaters, heat exchangers, vessels, and various valves, fittings, filters and piping. Energy Steel also provides services such as code welding, testing, engineering, and on-site support. Current backlog is approximately $8 million, of which 90% to 100% is expected to ship within the next nine months. Guidance provided by Graham on October 29, 2010, applies only to the Company's organic business and is not being updated at this time.

Energy Steel was founded in 1982 and is located in Lapeer, Michigan. It has 52 employees, all of whom are expected to remain with the Company.

Mr. Lines concluded, "Energy Steel has been dedicated to the highly regulated and scrutinized nuclear power industry for nearly thirty years. We intend to leverage their industry knowledge and strong customer relationships in order to expand Graham's presence in the nuclear market and intend to pursue Graham's necessary accreditations to complement Energy Steel's existing stamps."

Webcast and Conference Call

Graham will host a conference call and live webcast to discuss the acquisition at 9:00 a.m. Eastern Time on Wednesday, December 15, 2010. The conference call will be accompanied by a slide presentation which will be available on Graham's Web site at www.graham-mfg.com. A question and answer session will follow the formal discussion.

Graham's conference call can be accessed by dialing 1-201-689-8560 and requesting conference ID number 362560. The webcast can be monitored on Graham's Web site at www.graham-mfg.com.

To listen to the archived call, dial 1-858-384-5517, and enter conference ID number 362560. A telephonic replay will be available from 12:00 p.m. Eastern Time on the day of the call through December 22, 2010. A transcript will also be available on Graham's Web site, once available.

ABOUT GRAHAM CORPORATION

With world-renowned engineering expertise in vacuum and heat transfer technology, Graham Corporation is a global designer, manufacturer and supplier of custom-engineered ejectors, pumps, condensers, vacuum systems and heat exchangers. For over 70 years, Graham has built a reputation for top quality, reliable products and high-standards of customer service. Sold either as components or complete system solutions, the principal markets for Graham's equipment are energy, including oil and gas refining and electrical power generation, chemical/petrochemical and other process industries. In addition, Graham's equipment can be found in diverse applications, such as metal refining, pulp and paper processing, shipbuilding, water heating, refrigeration, desalination, food processing, pharmaceutical, heating, ventilating and air conditioning.

Graham Corporation's reach spans the globe. Its equipment is installed in facilities from North and South America to Europe, Asia, Africa and the Middle East. Graham routinely posts news and other important information on its website, www.graham-mfg.com, where additional comprehensive information on Graham Corporation can be found.

Safe Harbor Regarding Forward Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Forward-looking statements are subject to risks, uncertainties and assumptions and are identified by words such as “expects,” “estimates,” “projects,” “anticipates,” “believes,” “could,” and other similar words. All statements addressing operating performance, events, or developments that Graham Corporation expects or anticipates will occur in the future, including but not limited to, statements relating to Graham’s acquisition of Energy Steel & Supply Co. (including but not limited to, the integration of the acquisition of Energy Steel, revenue, backlog and expected performance of Energy Steel, and expected expansion and growth opportunities within the domestic and international nuclear power generation market), anticipated revenue, the timing of conversion of backlog to sales, market presence, profit margins, foreign sales operations, its ability to improve cost competitiveness, customer preferences, changes in market conditions in the industries in which it operates, changes in general economic conditions and customer behavior, forecasts regarding the timing and scope of the economic recovery in its markets, and its acquisition strategy are forward-looking statements. Because they are forward-looking, they should be evaluated in light of important risk factors and uncertainties. These risk factors and uncertainties are more fully described in Graham Corporation’s most recent Annual and Quarterly Reports filed with the Securities and Exchange Commission, including under the heading entitled “Risk Factors.”

Should one or more of these risks or uncertainties materialize, or should any of Graham Corporation’s underlying assumptions prove incorrect, actual results may vary materially from those currently anticipated. In addition, undue reliance should not be placed on Graham Corporation’s forward-looking statements. Except as required by law, Graham Corporation disclaims any obligation to update or publicly announce any revisions to any of the forward-looking statements contained in this press release.

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