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**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**

Date of Report (Date of earliest event reported): **December 31, 2008**

**Graham Corporation**

(Exact name of Registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of  
incorporation)

**1-8462**

(Commission  
File Number)

**16-1194720**

(IRS Employer  
Identification No.)

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**20 Florence Avenue, Batavia, New York**

(Address of principal executive offices)

**14020**

(Zip Code)

Registrant's telephone number, including area code: **(585) 343-2216**

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**N/A**

(Former name or former address, if changed since last report)

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:

- 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))
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**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

*Amendment to Employment Agreement with James R. Lines* On December 31, 2008, Graham Corporation (the “Company”) entered into an Amendment to Employment Agreement (the “Lines Amendment”) with James R. Lines, the Company’s President and Chief Executive Officer. The Lines Amendment amends Mr. Lines’ Employment Agreement with the Company executed on July 27, 2006 for the purpose of bringing such Employment Agreement into compliance with Section 409A of the Internal Revenue Code of 1986 (“Section 409A”). Section 409A imposes an excise tax penalty on an officer’s nonqualified deferred compensation arrangement that does not comply with its provisions. The Lines Amendment amends such Employment Agreement to incorporate the 409A definition of “separation from service” and provides that Mr. Lines must wait six months prior to receiving separation pay if and only to the extent as may be required under Section 409A. In order to comply with Section 409A, the Lines Amendment also: (i) requires that in order for Mr. Lines to receive post-change in control termination benefits, he must be terminated within two years of a change in control of the Company (as compared to three years under the Employment Agreement); and (ii) modifies the definition of change in control under his Employment Agreement to require the acquisition by any person of 30% voting control of the Company (as compared to 25% under the Employment Agreement) in order for a change of control to be triggered under such Agreement. No other material changes to Mr. Lines’ Employment Agreement were effected by the Lines Amendment.

*Amendment to Employment Agreement with Alan E. Smith* On December 31, 2008, the Company also entered into an Amendment to Employment Agreement (the “Smith Amendment”) with Alan E. Smith, the Company’s Vice President of Operations. The Smith Amendment amends Mr. Smith’s Employment Agreement with the Company executed on August 1, 2007 for the purpose of bringing such Employment Agreement into compliance with Section 409A. The Smith Amendment amends such Employment Agreement to incorporate the 409A definition of “separation from service” and provides that Mr. Smith must wait six months prior to receiving separation pay if and only to the extent as may be required under Section 409A. No other material changes to Mr. Smith’s Employment Agreement were effected by the Amendment.

*General.* The foregoing descriptions of the Lines Amendment and the Smith Amendment, respectively, do not purport to be complete and are qualified in their entirety by reference to the full texts of such Amendments, copies of which are attached hereto as Exhibits 99.1 and 99.2, respectively, and are incorporated herein by reference.

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**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

Exhibit No.	Description
99.1	Amendment to Employment Agreement dated as of December 31, 2008 by and between Graham Corporation and James R. Lines
99.2	Amendment to Employment Agreement dated as of December 31, 2008 by and between Graham Corporation and Alan E. Smith

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**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.

**Graham Corporation**

Date: January 6, 2009

By: /s/ James R. Lines

James R. Lines  
President and  
Chief Executive Officer

**AMENDMENT TO EMPLOYMENT AGREEMENT**

THIS AMENDMENT TO EMPLOYMENT AGREEMENT (this "Amendment") is made and entered into as of December 31, 2008 by and between Graham Corporation, a Delaware corporation with its principal place of business at 20 Florence Avenue, Batavia, New York 14020 (the "Company") and James R. Lines, currently residing at 11 Hillside Parkway, Lancaster, New York (the "Executive").

WHEREAS, the Company and the Executive entered into the Employment Agreement, effective August 1, 2006 (the "Agreement"); and

WHEREAS, Section 15 of the Agreement provides that the Agreement may be amended by a written agreement signed by the parties thereto; and

WHEREAS, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations and other official guidance issued thereunder (collectively, "Section 409A"), require that the Company's compensation and benefit arrangements be in documentary compliance with Section 409A on or before December 31, 2008, and such compliance requires amendments to the Agreement as set forth more fully below.

NOW, THEREFORE, the Company and the Executive hereby agree as follows:

1. The last sentence of the first paragraph of Section 8(c) of the Agreement is amended and restated in its entirety to read as follows:

In the event that the Company dismisses the Executive other than for cause, or if the Executive resigns because of a material breach of this Agreement by the Company (which Executive may do only if such breach remains materially uncured after the Executive has provided 30 days prior written notice to the Board), and the Executive's dismissal or resignation qualifies as a "separation from service" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and other official guidance issued thereunder (collectively, "Section 409A"), then the Company shall provide to the Executive:

2. Section 8(c)(ii) of the Agreement is amended and restated in its entirety to read as follows:

continuation of the Executive's salary for nine months following the effective date of the termination of the Executive's employment at the higher of the rate specified in Section 4 or the highest salary rate in effect for the Executive during the one-year period preceding the termination of his employment, which salary continuation shall be paid monthly in accordance with the Company's regular payroll practices;

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3. Section 8(c)(v) of the Agreement is amended and restated in its entirety to read as follows:

payment of, or in the Executive's sole discretion, reimbursement of the Executive for, outplacement services of the Executive's choice until the earlier of (1) the Executive's commencement of employment with another employer or (2) 36 months following the effective date of the termination of the Executive's employment, to be paid as soon as administratively practicable after the six-month anniversary of the effective date of the termination of the Executive's employment; provided, however, that the Company's obligation under this Section 8(c)(v) shall not exceed a total amount of \$40,000 and applies only to the extent that such reimbursement would not be includible in the Executive's gross income;

4. Section 8(c) of the Agreement is amended to add the following non-designated paragraph after paragraph 8(c)(vi):

Notwithstanding anything to the contrary, to the extent that any payments under Section 8(c) are subject to a six-month waiting period under Section 409A, any such payments that would be payable before the expiration of six months following the Executive's separation from service but for the operation of this sentence shall be made during the seventh month following the Executive's separation from service.

5. The first paragraph of Section 9(b) of the Agreement is amended and restated in its entirety to read as follows:

In addition to the benefits otherwise payable to the Executive (other than Sections 8(c)(ii) and (iii)) pursuant to this Agreement, upon the event of a Termination (as hereinafter defined) of the Executive's employment with the Company within two years after a Change in Control:

6. Section 9(c)(i)(1) of the Agreement is amended and restated in its entirety to read as follows:

any "person" within the meaning of Section 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than the Company, a subsidiary, or any employee benefit plan(s) sponsored by the Company or any subsidiary, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) 30 percent or more of the combined voting power of the outstanding securities of the Company ordinarily having the right to vote at the election of directors;

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7. The first paragraph of Section 9(c)(ii) of the Agreement is amended and restated in its entirety to read as follows:

For the purposes of this Section 9, the term "Termination" shall mean termination by the Company of the employment of the Executive with the Company (including its subsidiaries) for any reason other than death, disability or cause (as defined below), or resignation of the Executive, that qualifies as a "separation from service" for purposes of Section 409A, upon the occurrence of either of the following events:

8. Section 9 of the Agreement is amended to add a new subsection (e), which provides as follows:

Notwithstanding anything to the contrary, to the extent that any payments under Section 9 are subject to a six-month waiting period under Section 409A, any such payments that would be payable before the expiration of six months following the Executive's separation from service but for the operation of this sentence shall be made during the seventh month following the Executive's separation from service.

9. Section 19 of the Agreement is amended and restated in its entirety to read as follows:

It is intended that the payments and benefits provided for by this Agreement either comply with or are exempt from the requirements of Section 409A, and this Agreement shall be administered and interpreted to the extent possible in a manner consistent with that intent.

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the day and year first above written.

**GRAHAM CORPORATION**

**By:** \_\_\_\_\_

Name:

Title:

\_\_\_\_\_  
James R. Lines

**AMENDMENT TO EMPLOYMENT AGREEMENT**

THIS AMENDMENT TO EMPLOYMENT AGREEMENT (this "Amendment") is made and entered into as of December 31, 2008 by and between Graham Corporation, a Delaware corporation with its principal place of business at 20 Florence Avenue, Batavia, New York 14020 (the "Company") and Alan E. Smith (the "Executive").

WHEREAS, the Company and the Executive entered into the Employment Agreement, effective July 30, 2007 (the "Agreement"); and

WHEREAS, Section 15 of the Agreement provides that the Agreement may be amended by a written agreement signed by the parties thereto; and

WHEREAS, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations and other official guidance issued thereunder (collectively, "Section 409A"), require that the Company's compensation and benefit arrangements be in documentary compliance with Section 409A on or before December 31, 2008, and such compliance requires amendments to the Agreement as set forth more fully below.

NOW, THEREFORE, the Company and the Executive hereby agree as follows:

1. The last sentence of the first paragraph of Section 8(c) of the Agreement is amended and restated in its entirety to read as follows:

In the event that the Company dismisses the Executive other than for cause, or if the Executive resigns because of a material breach of this Agreement by the Company (which Executive may do only if such breach remains materially uncured after the Executive has provided 30 days prior written notice to the Board), and the Executive's dismissal or resignation qualifies as a "separation from service" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and other official guidance issued thereunder (collectively, "Section 409A"), then the Company shall provide to the Executive:

2. Section 8(c) of the Agreement is amended to add the following non-designated paragraph after paragraph 8(c)(iii):

Notwithstanding anything to the contrary, to the extent that any payments under Section 8(c) are subject to a six-month waiting period under Section 409A, any such payments that would be payable before the expiration of six months following the Executive's separation from service but for the operation of this sentence shall be made during the seventh month following the Executive's separation from service.

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IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the day and year first above written.

**GRAHAM CORPORATION**

**By:** \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Alan E. Smith

*[Signature Page to the Amendment of the Employment Agreement of Alan E. Smith]*