
**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): May 24, 2016

Graham Corporation
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

1-8462
(Commission
File Number)

16-1194720
(IRS Employer
Identification No.)

20 Florence Avenue, Batavia, New York
(Address of principal executive offices)

14020
(Zip Code)

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

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.

Fiscal 2017 Annual Stock-Based Long-Term Incentive Award Plan for Senior Executives. On May 24, 2016, the Compensation Committee of the Board of Directors (the “Compensation Committee”) of Graham Corporation (the “Company”) renewed and amended its Annual Stock-Based Long-Term Incentive Award Plan for Senior Executives (the “Restricted Stock Bonus Program”) for the fiscal year ending March 31, 2017 (“Fiscal 2017”) and approved grants of time-vested restricted stock and performance-vested restricted stock thereunder in the amounts set forth below to the Company’s named executive officers. All grants were made under the Amended and Restated 2000 Graham Corporation Incentive Plan to Increase Shareholder Value (the “Plan”).

Time-vested restricted stock awards are designed to encourage the Company’s named executive officers to remain employed by the Company. The time-vested restricted stock granted to the Company’s named executive officers vests 33 1/3% per year over three years and the time-vested restricted stock granted to the Company’s Directors, as described below, vests on the first anniversary of the date of grant

Performance-vested restricted stock awards are designed to incent the Company’s named executive officers to focus on Company growth, align their compensation with the Company’s business strategy and to create stockholder value. Awards of performance-vested restricted stock vests: (i) 50% based upon the Company’s achievement over a three year period of Total Shareholder Return compared to the Russell 2000 Capital Goods and Energy Composite Ranking (using a 20 day price average at the start and end of the three year period commencing April 1, 2016 and ending March 31, 2019) (“Relative TSR”); and (i) 50% based on the EBITDA margin of Company for the fiscal year ending March 31, 2019 (“Fiscal 2019”) compared to the Baird Industrial Company Composite as of December 2018 (“Relative EBITDA”). The threshold, target and maximum payout matrixes for the performance-vested restricted stock are set forth below:

Relative TSR⁽¹⁾

Threshold	25th percentile	50% payout
Target	50th percentile	100% payout
Maximum	75th percentile	200% payout

(1) If the Company’s TSR is negative, maximum payout is Target.

Relative EBITDA

Threshold	40th percentile	50% payout
Target	60th percentile	100% payout
Maximum	75th percentile	200% payout

The number of shares of time-vested restricted stock and performance-vested restricted stock awarded to the Company's named executive officers under the Restricted Stock Bonus Program were determined using a Long-Term Incentive Percentage (the "L-T Percentage") for each such officer. On May 24, 2016, the Compensation Committee set the L-T Percentage for each of the Company's named executive officers as follows: Mr. Lines – 90%; Mr. Glajch – 65%; Mr. Smith – 65%; and Ms. Condame – 45%. The number of shares of time-vested restricted stock awarded were determined by multiplying 50% of each named executive officer's base salary in effect on the date of grant by such officer's L-T Percentage, and then dividing the product by the closing price of the Company's Common Stock on the NYSE on the date of grant. The number of shares of performance-vested restricted stock was determined by multiplying 50% of each named executive officer's base salary in effect on the date of grant by such officer's L-T Percentage, and then dividing the product by the closing price of the Company's Common Stock on the NYSE on the date of grant. The number of shares of restricted stock awarded to each of the Company's Directors was determined by dividing \$25,000 by the closing price of the Company's Common Stock on the NYSE on the date of grant. The closing price of the Company's Common Stock on the NYSE on May 24, 2016 was \$18.50.

Named Executive Officer	Number of Shares of Time-Vested Restricted Stock Granted (1)	Number of Shares of Performance-Vested Restricted Stock Granted (1)(2)(3)
James R. Lines, President and Chief Executive Officer	10,581	10,581
Jeffrey Glajch, Vice President of Finance and Administration and Chief Financial Officer	4,745	4,745
Alan E. Smith, Vice President of Operations	4,234	4,234
Jennifer R. Condame Controller and Chief Accounting Officer	2,053	2,053

- (1) In the event a named executive officer's employment terminates prior to the conclusion of a vesting for reasons other than death or disability, such officer's right to receive any unvested time-vested restricted stock is forfeited.
- (2) The number of shares that will vest following the conclusion of Fiscal 2019 is based upon the Company's achievement of performance criteria. The number of shares set forth above assumes the target achievement of such performance criteria. If maximum achievement is realized, the number of shares will double. Once the achievement of the performance measures are determined for Fiscal 2019, the actual number of shares to which each named executive officer is entitled will be adjusted accordingly.
- (3) In the event a named executive officer's employment terminates prior to the conclusion of Fiscal 2019 for reasons other than death or disability, such officer's right to receive the performance-vested restricted stock shall be forfeited.

Annual Stock-Based Grant to Non-Employee Directors. Also on May 24, 2016, the Compensation Committee approved the grant of time-vested restricted stock under the Plan in the amounts set forth below to the Company's non-employee Directors.

<u>Director</u>	<u>Number of Shares of Time-Vested Restricted Stock Awarded</u>
James Barber	1,351
Alan Fortier	1,351
James Malvaso	1,351
Gerard Mazurkiewicz	1,351
Jonathan Painter	1,351
Lisa Schnorr	1,351

The Restricted Stock Bonus Program in effect for Fiscal 2017 is attached to this Current Report on Form 8-K as Exhibit 99.1 and the above summary of the Restricted Stock Bonus Program is qualified in its entirety by reference to such Exhibit.

Fiscal 2017 Annual Executive Cash Bonus Program. On May 24, 2016, the Compensation Committee renewed and amended the Company's Annual Executive Cash Bonus Program (the "Cash Bonus Program") for Fiscal 2017. The objective of the Cash Bonus Program is to motivate the Company's named executive officers to attain short-term objectives through an annual cash bonus related both to Company and personal performance. On May 24, 2016, the Compensation Committee set target bonus levels under the Cash Bonus Program for Fiscal 2017 at 100% attainment of both Company and personal objectives, as follows: Mr. Lines — 70% of base salary; Mr. Glajch — 50% of base salary; Mr. Smith — 50% of base salary; and Ms. Condame — 35% of base salary. Each named executive officer will be eligible to receive anywhere from 0% to 200% of his or her target bonus level depending on the attainment of such objectives. A summary of the performance goal weightings for the Company's named executive officers for Fiscal 2017 is as follows:

<u>Named Executive Officer</u>	<u>Consolidated Net Income</u>	<u>Consolidated Bookings</u>	<u>Personal Goals</u>
James R. Lines	40%	40%	20%
Jeffrey Glajch	40%	40%	20%
Alan E. Smith	40%	40%	20%
Jennifer R. Condame	40%	40%	20%

The Cash Bonus Program in effect for Fiscal 2017 is attached to this Current Report on Form 8-K as Exhibit 99.2 and the above summary of the Cash Bonus Program is qualified in its entirety by reference to such Exhibit.

Fiscal 2016 Named Executive Officer Bonuses. On May 24, 2016, the Compensation Committee approved the payment of cash bonuses to the Company's named executive officers, as set forth below. Such bonuses were approved in accordance with the Company's Annual Executive Cash Bonus Program in effect for the fiscal year ending March 31, 2016 ("Fiscal 2016") and were based on the Company's achievement during Fiscal 2016 of net income and contribution dollars of executable backlog as well as the achievement of personal objectives by each named executive officer during such year.

Named Executive Officer	Total Fiscal 2016 Bonus
James R. Lines	\$ 37,896
Jeffrey Glajch	\$ 18,358
Alan E. Smith	\$ 20,992
Jennifer R. Condame	\$ 6,556

Amendment to Supplemental Executive Retirement Plan. Also on May 24, 2016, the Compensation Committee approved an amendment and restatement of Exhibit B to the Graham Corporation Supplemental Executive Retirement Plan (the "SERP"). The amendment and restatement of Exhibit B was adopted in order provide through December 31, 2020 that the Plan benefit calculation for James R. Lines will be based on an average of Mr. Lines' compensation following his base salary increase in effect as of April 1, 2016 (instead of using the prior five-year base salary average) and that commencing January 1, 2021 the SERP will again use a five-year average of Mr. Lines' compensation to calculate his SERP benefits. A copy of amended and restated Exhibit B to the SERP is attached to this Current Report on Form 8-K as Exhibit 99.3 and the above summary of the amendment and restatement of Exhibit B to the SERP is qualified in its entirety by reference to such Exhibit.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Graham Corporation Annual Stock-Based Long-Term Incentive Award Plan for Senior Executives in effect for the fiscal year ending March 31, 2017.
99.2	Graham Corporation Annual Executive Cash Bonus Program in effect for the fiscal year ending March 31, 2017.
99.3	Exhibit B to the Graham Corporation Supplemental Executive Retirement Plan, as amended and restated on May 24, 2016.

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: May 27, 2016

Graham Corporation

By: /s/ Jeffrey Glajch

Jeffrey Glajch
Vice President – Finance & Administration and
Chief Financial Officer

GRAHAM CORPORATION
ANNUAL STOCK-BASED LONG-TERM INCENTIVE AWARD PLAN
FOR SENIOR EXECUTIVES

(As Amended and Restated Effective May 24, 2016)

Purpose	The purpose of this Annual Stock-Based Long-Term Incentive Award Plan for Senior Executives (the “Plan”) is to motivate the senior executive officers of Graham Corporation (the “Company”) to increase shareholder value by providing them long-term stock-based awards for above-average Company performance.
Administration	The Plan will be administered by the Compensation Committee of the Board of Directors of the Company (the “Committee”), which shall have final and conclusive authority to administer and interpret the Plan.
Eligibility	Eligible employees will include the President and Chief Executive Officer and such officer’s direct reports, subject to the approval by the Committee of such participation.
Award Periods	Annual awards under the Plan will be based on the fiscal year of the Company, beginning with its April 1, 2016 through March 31, 2017 fiscal year (each, a “Fiscal Year”).
Awards	<p>Unless the Committee determines otherwise, annual awards under the Plan for the Fiscal Year will consist of shares of time-vesting restricted stock (“Time-Vested Restricted Stock”) and shares of performance-vesting restricted stock (“Performance-Vested Restricted Stock,” and together with Time-Vested Restricted Stock, “Restricted Stock”), which awards will be issued under the Amended and Restated 2000 Graham Corporation Incentive Plan to Increase Shareholder Value, or a successor plan thereto or restatement thereof (the “Incentive Plan”), and will be subject to the terms thereof.</p> <p><u>Time-Vested Restricted Stock.</u></p> <p>Unless the Committee determines otherwise, Time-Vested Restricted Stock will vest as follows: one-third of the shares on the first anniversary of the date of grant, an additional one-third of the shares on the second anniversary of the date of grant and the remaining one-third of the shares on the third anniversary of the date of grant.</p> <p>The number of shares of Time-Vested Restricted Stock to be issued to an eligible employee for a Fiscal Year will be determined by multiplying 50 percent (or such other percentage as may be determined by the Committee) of the eligible employee’s base salary then in effect by such employee’s Target L-T Incentive Percentage, and then dividing by the value of a share of stock on the date of grant, rounded to the nearest whole number.</p>

Performance-Vested Restricted Stock.

Unless the Committee determines otherwise, Performance-Vested Restricted Stock will vest on the third anniversary of the date of grant, depending on the satisfaction of the performance goal matrices for the three-year period commencing with the 2017 Fiscal Year, which matrices will be determined by the Committee. In determining the performance for the three-year period commencing with a Fiscal Year, the Committee shall have the discretion to include or exclude any extraordinary events that positively or negatively affected the Company's financial performance for the Fiscal Year.

The number of shares of Performance-Vested Restricted Stock to be issued to an eligible employee for a Fiscal Year will be determined by multiplying 50 percent (or such other percentage as may be determined by the Committee) of the eligible employee's base salary then in effect by such employee's Target L-T Incentive Percentage, and then dividing by the value of a share of stock on the date of grant, rounded to the nearest whole number.

Effect of Certain Events.

Notwithstanding any other provision of the Plan, the following terms shall apply to all Restricted Stock awarded under the Plan:

- Upon the death of an eligible employee, any outstanding Time-Vested Restricted Stock awarded under the Plan will vest in full, and any outstanding Performance-Vesting Restricted Stock will vest pro-rata based on the satisfaction of the applicable performance goals through the end of the quarter immediately preceding the date of death.
- Upon the Disability (as such term is defined by the Incentive Plan) of an eligible employee, any outstanding Time-Vested Restricted Stock awarded under the Plan will vest in full, and any outstanding Performance-Vesting Restricted Stock will vest pro-rata based on the satisfaction of the applicable performance goals through the end of the quarter immediately preceding the date of Disability.
- Except as otherwise provided by the Plan or by the Committee, the unvested portion of Restricted Stock awarded under the Plan will terminate upon the termination or resignation of an eligible employee's employment.
- Unless the Committee determines otherwise, upon the termination of an eligible employee for cause (as such term shall be defined by the Committee), the unvested portion of all Restricted Stock awarded under the Plan will terminate.

**Payment and
Dividends**

Annual awards for a Fiscal Year will be approved by the Committee and will be issued as soon as practicable after approval. Eligible employees shall be entitled to retain any dividends paid on shares of Restricted Stock awarded under the Plan.

Section 409A

The Plan and the Restricted Stock awarded thereunder, are intended to qualify for an exemption from Section 409A of the Internal Revenue Code of 1986, as amended, and the treasury regulations promulgated and other official guidance issued thereunder, and shall be administered and interpreted consistent with such intention.

Amendment & Termination

The Plan may be amended or terminated by the Committee at any time. No eligible employee will have any right to an award under the Plan until such award is approved by the Committee.

Neither the existence of the Plan nor the grant of an award in any year shall give an eligible employee any right to an award or similar award in future years or any right to continue such eligible employee's employment relationship with the Company. All eligible employees shall remain subject to discharge to the same extent as if the Plan were not in effect.

EXHIBIT A

TARGET L-T INCENTIVE PERCENTAGES

<u>Position</u>	<u>Target L-T Incentive %</u>
President and Chief Executive Officer	90%
Vice President, Finance and Administration and Chief Financial Officer	65%
Vice President, General Manager	65%
Controller and Chief Accounting Officer	45%

Notwithstanding the foregoing, the Committee shall have the discretion to specify a different Target L-T Incentive Percentage for a given position or employee for a given Fiscal Year.

GRAHAM CORPORATION
ANNUAL EXECUTIVE CASH BONUS PLAN

(As Amended and Restated Effective May 24, 2016)

Summary

The objective of this Annual Executive Cash Bonus Plan (the "Plan") is to compensate the Chief Executive Officer and his direct reports for above-average performance through annual bonuses related to both Company and individual performance.

Eligibility and Participation

1. Eligible employees shall include the Chief Executive Officer and his direct reports. "Direct reports" means (a) the Vice President, Finance and Administration and Chief Financial Officer, (b) the Vice President, General Manager, (c) the Controller and Chief Accounting Officer and (d) such other employees of the Company selected by the Chief Executive Officer to participate in this plan, subject to the approval by the Compensation Committee of such participation.
2. Target participation levels shall be established by the Compensation Committee.
3. Newly hired or promoted employees are eligible for participation in the Plan upon employment unless otherwise determined by the Chief Executive Officer for direct reports and by the Compensation Committee in the case of the Chief Executive Officer.
4. Participants who voluntarily terminate employment or whose employment is involuntarily terminated, in each case, for any reason before the end of the fiscal year shall receive no bonus except as approved by the Compensation Committee, in its sole discretion.

Establishment and Level of Goals

1. Financial goals shall be approved by the Board of Directors.
2. The Chairman of the Compensation Committee shall approve individual goals for the Chief Executive Officer. The Chief Executive Officer shall approve individual goals for direct reports. The Chairman of the Compensation Committee or Chief Executive Officer, as applicable, shall determine the number and weighting of goals.

Payment Calculation

At the end of each fiscal year, the Compensation Committee shall determine the extent to which the applicable financial goals and individual goals have been satisfied and the corresponding goal payout factors. The Compensation Committee shall then determine each Participant's

preliminary payout value, which shall be the Participant's Target Participation Level multiplied by the product of each performance goal's weighting times its payout factor. The Compensation Committee may then adjust each Participant's preliminary payout value, either upwards or downwards, in the Compensation Committee's sole discretion, to determine each Participant's final payout value.

The final payout values, as determined by the Compensation Committee, will be paid to Participant's as soon as practicable after the end of the fiscal year, but in no event later than 75 days immediately following the end of the fiscal year.

Other Considerations

1. Participants who change their position during the fiscal year shall receive bonus on a pro rated basis.
2. Special awards may be made to any person who has made an extraordinary contribution to the Company during the year. Such awards must be recommended by the Chief Executive Officer to the Chairman of the Compensation Committee and may be approved by the Compensation Committee.
3. Extraordinary events that either positively or negatively affect financial performance may be included or excluded in financial calculations at the discretion of the Compensation Committee.
4. Nothing herein shall be construed to limit or affect the normal and usual powers of management, including right to terminate any individual at any time.
5. The Compensation Committee shall have final and conclusive authority on the existence and administration of this plan.
6. In the event of death, a Participant's designated beneficiary will be entitled to the Participant's plan benefits. If the Participant has not designated a beneficiary, the Participant's beneficiary or beneficiaries will be determined in accordance with the Participant's will. If there is no will, the beneficiary or beneficiaries shall be determined by the laws of descent and distribution in the state in which the Participant was a resident at the time of death. In the event of death prior to the end of a fiscal year, the Participant will be entitled to receive plan benefits on a pro rated basis, which shall be paid to a Participant's designated beneficiary.

Section 409A

The Plan and the compensation payable thereunder are intended to be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the treasury regulations promulgated and other official guidance issued thereunder, and shall be administered and interpreted consistent with such intention.

ANNUAL EXECUTIVE CASH BONUS PLAN
2017 FISCAL YEAR TERMS

Target Participation Levels

<u>Position</u>	<u>% Base Pay</u>
President and Chief Executive Officer	70%
Vice President, Finance and Administration and Chief Financial Officer	50%
Vice President, General Manager	50%
Controller and Chief Accounting Officer	35%

Goal Weightings

<u>Position</u>	<u>Consol. Net Income</u>	<u>Consol. Bookings</u>	<u>Personal Goals</u>
President and Chief Executive Officer	40%	40%	20%
Vice President, Finance and Administration and Chief Financial Officer	40%	40%	20%
Vice President, General Manager	40%	40%	20%
Controller and Chief Accounting Officer	40%	40%	20%

Bookings is defined as new orders received by the corporation and entered into backlog during fiscal year 2017, defined as April 1, 2016 through March 31, 2017, and shall be reduced by the impact of any backlog cancellations. The bookings calculation for bonus purposes shall be consolidated bookings for Batavia, NY, Lapeer, MI and Suzhou, PRC, plus new orders that may be received by a company acquired by the corporation during the fiscal year. For an acquired company, only new bookings subsequent to acquisition apply.

Net Income shall be based upon year-end results.

Currency exchange rates will be calculated monthly at a fixed rate to eliminate currency fluctuations from incentive calculations.

APPENDIX B

(As Amended and Restated Effective as of May 24, 2016)

GRAHAM CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**Participant: James Lines**

With respect to the Participant, the rules for calculating the Supplemental Retirement Plan Benefits under Section 3.1 of the Plan shall be modified as follows:

(a) Solely for purposes of calculating the benefit under the Plan, the following definition of Average Final Compensation shall be used:

(i) If the Participant voluntarily terminates employment during 2016, Average Final Compensation means the sum of \$340,000 and the Participant's annual base salary for each of 2013, 2014, 2015 and 2016, divided by five.

(ii) If the Participant's employment is involuntarily terminated without cause during 2016, Average Final Compensation means \$435,000. In addition, for purposes of subsections (ii)—(v) below, the Participant's annual base salary for 2016 means \$435,000.

(iii) If the Participant's employment is involuntarily terminated without cause during 2017, Average Final Compensation means the Participant's annual base salary for 2016 and 2017, divided by two.

(iv) If the Participant's employment is involuntarily terminated without cause during 2018, Average Final Compensation means the sum of the Participant's annual base salary for 2016, 2017 and 2018, divided by three.

(v) If the Participant's employment is involuntarily terminated without cause during 2019, Average Final Compensation means the Participant's annual base salary for 2016, 2017, 2018 and 2019, divided by four.

(vi) If the Participant's employment is involuntarily terminated without cause during 2020, Average Final Compensation means the sum of the Participant's annual base salary for 2016, 2017, 2018, 2019 and 2020, divided by five.

(vii) If the Participant terminates employment following December 31, 2020, Average Final Compensation shall have the meaning given to such term under the Retirement Plan.

(b) Except as provided above, the Participant's benefit shall otherwise be calculated and paid in accordance with the provisions of the Plan.

For the avoidance of doubt, the benefits payable to or with respect to the Participant under the Retirement Plan shall use the definition of Average Final Compensation in the Retirement Plan and not the definition set forth above, and the benefits under the Retirement Plan shall be calculated accordingly for purposes of Section 3.1(b).