

---

---

**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): April 30, 2020**

---

**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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	GHM	NYSE

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

---

---

---

**Item 1.01 Entry into a Material Definitive Agreement.**

On May 1, 2020, Graham Corporation (the “Company”) entered into a letter agreement (the “Letter Agreement”) with HSBC Bank USA, National Association (“HSBC”), that amended and restated the facility letter dated October 8, 2019 between the Company and HSBC. The Letter Agreement increases the Company’s uncommitted discretionary demand line of credit with HSBC for the issuance of Performance Standby Letters of Credit, as defined in the Letter Agreement (the “Credit Facility”), from \$10,000,000 to \$14,000,000. The Company incurs an annual facility fee under the Credit Facility of \$5,000, as well as an annual fee on the undrawn face amount of each letter of credit issued pursuant to the Credit Facility, which ranges from 0.75% to 0.85% per annum depending on the term of the letter of credit. Interest is payable on the principal amounts of unreimbursed letter of credit draws under the Credit Facility at a rate of 3% plus HSBC’s prime rate. The Company’s obligations under the Letter Agreement are secured by certain of the Company’s deposit accounts held with HSBC and is evidenced by a pledge agreement between the Company and HSBC (the “Pledge Agreement”).

Also on May 1, 2020, the Company entered into an amendment (the “First Amendment to Credit Agreement”) to the credit agreement dated December 2, 2015 (the “Credit Agreement”) between the Company and JPMorgan Chase Bank, N.A. (“JPMorgan”), whereby JPMorgan and the Company agreed to amendments to the Credit Agreement to reflect the increase in the Company’s uncommitted discretionary demand line of credit with HSBC to \$14,000,000.

The foregoing summaries of the Letter Agreement, Pledge Agreement, and the First Amendment to Credit Agreement do not purport to be complete, and are qualified in their entirety by reference to the Letter Agreement, Pledge Agreement, and the First Amendment to Credit Agreement, copies of which are filed as exhibits to this Current Report on Form 8-K as Exhibits 10.1, 10.2, and 10.3, respectively.

**Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

The information set forth in Item 1.01 of this Current Report on Form 8-K is incorporated by reference into this Item 2.03.

**Item 8.01 Other Events.**

On April 30, 2020, the Board of Directors of the Company amended and restated its Policy on Stockholder Rights Plans (as so amended and restated, the “Amended and Restated Policy on Stockholder Rights Plans”) in response to the COVID-19 pandemic. The Amended and Restated Policy on Stockholder Rights Plans is filed as an exhibit to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

---

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	<a href="#"><u>Letter Agreement dated May 1, 2020 with respect to the continuing Letter of Credit Facility dated October 8, 2019, between the Company and HSBC Bank USA, National Association</u></a>
10.2	<a href="#"><u>Pledge Agreement between the Company and HSBC Bank USA, National Association dated May 1, 2020</u></a>
10.3	<a href="#"><u>First Amendment to Credit Agreement dated May 1, 2020 between the Company and JPMorgan Chase Bank, N.A.</u></a>
99.1	<a href="#"><u>Amended and Restated Policy on Stockholder Rights Plans</u></a>

---

**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 6, 2020

**Graham Corporation**

By: /s/ Jeffrey Glajch

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

**HSBC BANK USA, NATIONAL ASSOCIATION**

452 Fifth Avenue  
New York, New York 10018

May 1, 2020

GRAHAM CORPORATION  
20 Florence Avenue  
Batavia, New York 14020

Ladies and Gentlemen:

HSBC Bank USA, National Association (the "Bank") is pleased to advise you that, subject to the terms and conditions set forth herein, we are prepared to extend to Graham Corporation, a Delaware corporation (the "Company"), an uncommitted discretionary demand line of credit up to an aggregate amount of \$14,000,000.00 to be used solely for Performance standby letters of credit (the "Facility").

This letter agreement amends and restates in its entirety that certain facility letter dated October 8, 2019, between the Company and Bank (the "Existing Line Letter"). Nothing in this letter agreement shall constitute a novation or a termination of the obligations or liabilities under the Existing Line Letter.

The Facility.

The Facility, is subject to the provisions set forth herein and in the Standard Trade Terms (as may be amended, restated, supplemented or otherwise modified from time to time, the "STT"), which STT can be accessed, read and printed by Company at <http://www.gbm.hsbc.com/gtrfstt> or alternatively Company can request a copy of the STT from Company's Relationship Manager at Bank. Any reference to the "Customer" in the STT shall mean Company. By signing this agreement, Company acknowledges receipt of a copy of the STT and confirms that it has read, understood and accepted such terms and conditions. To the extent that any of the terms of the STT (or any document replacing the STT) conflict with the provisions of this agreement then the terms of this agreement shall prevail.

Additionally, each issuance of a letter of credit under the Facility shall be issued only pursuant to Bank's standard form of application (the "Application"). Company shall pay the fees specified in the pricing schedule set forth in Schedule A attached hereto and as applicable, quarterly in arrears, in immediately available funds, to Bank, together with Bank's customary fees and charges specified therein.

Each letter of credit shall have an expiry date (i) not later than twelve (12) months after such letter of credit's date of issuance and (ii) not to occur after the expiration date of the Facility, unless Bank has approved in writing such expiry date in its sole and absolute discretion; provided that (a) if the

RESTRICTED

expiry date of a letter of credit shall occur after the expiration date of the Facility, then within 60 days prior to the expiration date of the Facility (or such shorter period of time as Bank may agree to in writing) or (b) if any LC Obligations (as defined hereinafter) remain outstanding for any reason after the termination or expiration of the Facility, then immediately (but in no event later than one (1) business day after the termination or expiration of the Facility), Company shall either (in the case of clause (a) or (b), as applicable) (x) deliver to, and deposit with, Bank cash collateral in an amount equal to (i) 105% of the stated amount of such letter of credit with respect to clause (a) above or (ii) 105% of the LC Obligations with respect to clause (b) above or (y) cause to be issued an irrevocable standby letter of credit in favor of Bank and issued by a bank or other financial institution acceptable to Bank (in its sole discretion) and in form and substance, and in an amount, acceptable to Bank (in its sole discretion). Such cash collateral and deposits provided under this paragraph shall be held by Bank as collateral for the payment and performance of the LC Obligations. Company hereby grants to Bank and agrees to maintain a first priority security interest in all such cash, deposits accounts and all balances therein and in all proceeds of the foregoing to secure the LC Obligations and other obligations for which the cash collateral was so provided, free and clear of all other security interests and liens. Bank shall have exclusive dominion and control, including the exclusive right of withdrawal, over such deposit account in which the cash collateral is maintained. "LC Obligations" as used herein shall mean, on any date of determination, the aggregate amount of the undrawn stated amount of all outstanding letters of credit issued under the Facility, plus the aggregate amount drawn under letters of credit issued under the Facility for which Bank has not received payment or reimbursement.

General Terms of the Facility.

Borrowings and any other extensions of credit and obligations under the Facility shall be secured by secured Certificates of Deposit held by Bank.

The Facility is subject to annual renewal by Bank in its sole and absolute discretion on July 3<sup>rd</sup> of each year (or if such day is not a business day, then on the next business day thereafter provided, however, THE CONTINUING AVAILABILITY OF THE FACILITY SHALL AT ALL TIMES BE AS DETERMINED BY BANK IN ITS SOLE AND ABSOLUTE DISCRETION. Either of Company or Bank may terminate all or any portion of the Facility at any time. In the event of termination by either party, Company's obligations hereunder and under the STT, the Note and the other documentation entered into in connection with the Facility shall remain in full force and effect until all amounts outstanding under the Facility have been indefeasibly paid in full.

ANYTHING IN THIS AGREEMENT, THE NOTE OR ANY OTHER DOCUMENTS RELATING TO THE FACILITY TO THE CONTRARY NOTWITHSTANDING, THE ENUMERATION IN THIS AGREEMENT, THE NOTE OR IN SUCH OTHER DOCUMENTS OF SPECIFIC OBLIGATIONS TO BANK AND/OR CONDITIONS TO THE AVAILABILITY OF THE FACILITY AND THE NOTE SHALL NOT BE CONSTRUED TO QUALIFY, DEFINE OR OTHERWISE LIMIT BANK'S RIGHT, POWER OR ABILITY, AT ANY TIME, UNDER APPLICABLE LAW, TO MAKE DEMAND FOR PAYMENT OF THE ENTIRE OUTSTANDING PRINCIPAL OF, INTEREST AND OTHER AMOUNTS DUE UNDER THE FACILITY AND THE NOTE OR BANK'S RIGHT NOT TO MAKE ANY EXTENSION OF CREDIT UNDER THE FACILITY AND COMPANY AGREES THAT COMPANY'S BREACH OF OR DEFAULT UNDER ANY SUCH ENUMERATED OBLIGATIONS OR CONDITIONS IS NOT THE ONLY BASIS FOR DEMAND TO BE MADE OR FOR A REQUEST FOR AN EXTENSION OF CREDIT TO BE DENIED, AS COMPANY'S OBLIGATION TO MAKE PAYMENT SHALL AT ALL TIMES REMAIN A DEMAND OBLIGATION.

RESTRICTED

NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, THIS AGREEMENT DOES NOT CREATE A COMMITMENT OR OBLIGATION BY BANK TO EXTEND CREDIT TO COMPANY AND COMPANY ACKNOWLEDGES THAT BANK HAS NO OBLIGATION TO EXTEND ANY CREDIT UNDER THE FACILITY.

So long as any obligations, liabilities or other amounts payable under, arising from, or with respect to the Facility and the related documents shall remain unpaid and the Facility has not been terminated, Company shall furnish to Bank each of the following:

- i. Annual audited financial statements of Company, prepared on a consolidated basis, to be received within 120 days from fiscal year end;
- ii. Prompt written notice of any default by Company that shall have occurred beyond any applicable grace period under any other agreement between Company and Bank or any of Bank's affiliates; and
- iii. Such other information, including interim financial statements, concerning Company's business, affairs, or financial condition as Bank may request from time to time.

All payments of principal, interest and fees payable by Company under the Facility shall be made in U.S. dollars, in immediately available funds without set off, counterclaim or withholding at Bank's office at 452 Fifth Avenue, New York, New York 10018 and may be charged to any account Company maintains with Bank.

The Facility is further subject to Bank's receipt in form and substance satisfactory to Bank of the following, in each case, as applicable, duly executed and delivered on behalf of Company by an authorized person thereof:

- i. certified copy of resolutions of Company's board of directors (or equivalent governing body) authorizing Company's execution, delivery and performance of this agreement, the Note and each of the other documents herein referred to;
- ii. signature cards for Company's authorized signatories;
- iii. an executed copy of Bank's standard form of Pledge Agreement;
- iv. an executed copy of the Application(s) related to the Facility;
- v. an executed copy of Bank's standard form of Trade Finance Services Authorization related to the Facility; and
- vi. all other documents, instruments and other agreements or deliverables requested by Bank.

**No amendment, modification or waiver of any provision of this agreement nor any consent to any departure by Bank therefrom shall be effective, irrespective of any course of dealing, unless the same shall be in writing and signed by Bank and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.**

Further, on the date hereof and on and as of the date any extension of credit is made under the Facility, Company makes the representations and warranties, and agrees to the provisions, set forth on Schedule B attached hereto. Each request for an extension of credit under the Facility shall be deemed to be a certification by Company both at the time of such request and at the time the related extension of credit is made that the representations and warranties contained on Schedule B are true and correct at each such time.

RESTRICTED

---

**This agreement shall be governed by and construed in accordance with the laws of the State of New York. Please note that to the extent any of the terms or provisions of this agreement conflict with those contained in the Note or any of the other above-mentioned documents (other than the STT), the terms and provisions of such Note and of such other documents shall govern.**

COMPANY AND BANK AGREE THAT ANY ACTION, SUIT OR PROCEEDING IN RESPECT OF OR ARISING OUT OF THIS AGREEMENT, THE NOTE OR ANY OTHER DOCUMENTS RELATING TO THE FACILITY MAY BE INITIATED AND PROSECUTED IN THE STATE OR FEDERAL COURTS, AS THE CASE MAY BE, LOCATED IN NEW YORK COUNTY, NEW YORK.

**EACH OF COMPANY AND BANK HEREBY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY OR AGAINST IT IN ANY MATTERS WHATSOEVER, IN CONTRACT OR IN TORT, ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT, THE NOTE OR ANY OTHER DOCUMENTS RELATING TO THE FACILITY. COMPANY ALSO HEREBY WAIVES THE RIGHT TO INTERPOSE ANY DEFENSE BASED UPON ANY CLAIM OF LACHES OR SET-OFF OR COUNTERCLAIM OF ANY NATURE OR DESCRIPTION, ANY OBJECTION BASED ON FORUM NON CONVENIENS OR VENUE, AND ANY CLAIM FOR INDIRECT, CONSEQUENTIAL, PUNITIVE, INCIDENTAL, EXEMPLARY OR SPECIAL DAMAGES.**

Bank hereby notifies Company that pursuant to the requirements of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Pub. L. 107-56, 115 Stat. 272 (Oct. 26, 2001)) (the "USA Patriot Act") and the requirements of 31 C.F.R. Sec. 1010.230 (the "Beneficial Ownership Regulation"), Bank is required to obtain, verify and record information that identifies Company, which information includes the name, address and beneficial ownership of Company and other information that will allow Bank to identify Company in accordance with the USA Patriot Act and the Beneficial Ownership Regulation, and Company agrees to provide such information and any applicable certifications from time to time to Bank.

This agreement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery by a party of its executed signature page of this agreement, by telecopy, electronic transmission (e.g., a "pdf" or "tif" file transmitted by e-mail) or other electronic means, shall be effective execution and delivery of this agreement by such party, the same as if an original manually executed counterpart were delivered by such party.

[Remainder of page intentionally left blank]

RESTRICTED



If this agreement is acceptable to you, please sign and return this agreement and the other documents referred to above within two weeks from the date of this agreement.

Very truly yours,

**HSBC Bank USA, National Association**

By: /s/ Joseph W. Burden  
Name: Joseph W. Burden  
Title: VP

AGREED TO AND ACCEPTED:

**GRAHAM CORPORATION**

By: /s/ Jeffrey F. Glajch  
Name: Jeffrey F. Glajch  
Title: Chief Financial Officer

**SIGNATURE VERIFICATION:  
(For Bank use)**

By: /s/ Joseph W. Burden  
Name: Joseph W. Burden  
Title: VP

RESTRICTED

**SCHEDULE A**  
**Pricing\***

<b>Performance Standby</b>	75 basis points per annum, if tenor is less than 24 months from the date of issuance through the maturity date, payable annually  80 basis points per annum, if tenor is 25 to 48 months from the date of issuance through the maturity date, payable annually  85 basis points per annum if tenor is over 48 months from the date of issuance through the maturity date, payable annually  • Minimum commission of USD 500
<b>Annual Facility Fee</b>	\$5,000.00
<b>Default Interest</b>	3% plus the Prime Rate

\* Please see Annex I to Schedule A, attached hereto, for other relevant fees.

Pricing is subject to change upon thirty (30) days' prior written notice to Company.

Definitions:

“Performance Standby Letter of Credit” means a letter of credit or similar arrangement, however named or described, other than a Financial Standby Letter of Credit, issued, confirmed or paid, or in respect of which value is transferred (including acceptance of a draft), by Bank and/or an affiliate of Bank (or correspondent bank), for account of one or more applicants, that represents an irrevocable obligation to the beneficiary on the part of the issuer to make payment on account of any default by the account party in the performance of a non-financial or commercial obligation. The determination that a letter of credit or similar arrangement is a Performance Standby Letter of Credit shall be made by Bank in its sole and absolute discretion.

“Prime Rate” means the rate of interest publicly announced by Bank from time to time as its prime rate and is a base rate for calculating interest on certain loans. In no event shall the interest rate under this agreement exceed the maximum rate authorized by applicable law. Any change in the interest rate resulting from a change in the Prime Rate shall be effective on the date of such change.

RESTRICTED -



## GLOBAL TRADE AND RECEIVABLES FINANCE

## PRICING SCHEDULE

**IMPORT DOCUMENTARY CREDIT (LC)**

DC Issuance: Manual	0.25% per Qtr., Min \$150
DC Issuance: Electronic	0.25% per Qtr., Min \$100
Issuance SWIFT	\$75
Amendment: Manual*	\$100
Amendment: Electronic*	\$85
Amendment: Increase / Extension	0.25% per Qtr., Min \$85/\$100
Amendment SWIFT	\$45
Discrepancy**	\$100
Payment Commission:	
Sight	0.25%, Min \$125
Payment Commission:	
Time	0.25%, Min \$150
Acceptance / Deferred Payment	2% Per Annum, Min \$150
Reinstatement / Expired DC	\$100
Overdrawn DC	\$100
DC Cancellation / Unutilized	\$100
Special Handling**	\$50

**EXPORT DOCUMENTARY CREDIT**

Advise: Manual	\$125
Advise: Electronic	\$100
Amendment: Manual	\$100
Amendment: Electronic	\$75
Discrepancy	\$100
Document Examination / Payment	
Commission	0.125%, Min \$150
Discount	By Agreement, Min \$200
Confirmation	By Agreement, Min \$200
Acceptance / Deferred Payment	By Agreement, 2% P.A.,
Confirmation	Min \$150
Transfer	0.25%, Min \$300
Assignment of Proceeds	0.25%, Min \$300
Reimbursement	\$75
Back to Back Handling	\$250
DC Cancellation	\$100

\* More than five amendments subject to additional \$50 Charge.

\*\* To be charged to the account of the beneficiary.

**STANDBY DOCUMENTARY CREDIT (SBLC)**

Issuance: Manual	\$200
Issuance: Electronic	\$150
Issuance SWIFT	\$75
Commission	By Agreement or 2% P.A., Min \$500
Consultation / Structuring	\$500
Amendment: Manual	\$150
Amendment: Electronic	\$135
Amendment: Increase /	
Extension	By Agreement or 2% P.A., Min \$100
Amendment SWIFT	\$45
Auto Increase / Decrease	\$100
Rescission of Draw	\$100
Confirmation	By Agreement, Min \$250
Payment Commission	0.25%, Min \$150
Transfer	0.25%, Min \$300
Assignment of Proceeds	0.25%, Min \$300
Advise	\$250
Amendment Advise	\$100
Cancellation	\$150
Evergreen	\$200

**DOCUMENTARY COLLECTIONS**

Import Collection	0.125%, Min \$100
Export Collection	0.125%, Min \$100
Direct Sends Collection	\$100
Bills Purchased	By Agreement, Min \$100
Protest Commission	\$150 + Costs
Document Safekeeping	\$50/Mo. after 30 days
Cancellation	\$100

**MISCELLANEOUS CHARGES**

Shipping Guarantee / Airway Release	0.25%, Min \$150
Unredeemed SG / AR	\$75 / Mo. after 30 days
Registered Mail	\$20
Courier: Domestic	\$30
Courier: International	\$100
SWIFT	\$50
Fax	\$15
Wire Transfer Fee	\$25
Urgent Handling	\$150

*Prices are subject to change with notification. Additional fees may apply for non-standard service.*

Effective as of August 2019

INTERNAL

---

**SCHEDULE B**  
**Representations and Warranties**

Anti-money Laundering

Company represents and warrants that each of Company and its subsidiaries is in compliance, in all material respects, with all applicable anti-money laundering rules and regulations.

Sanctions

Company represents and warrants that none of Company, any of its subsidiaries, or any director, officer, employee, agent, or affiliate of Company or any of its subsidiaries, is an individual or entity ("Person") that is, or is owned or controlled by Persons that are: (i) the target of any sanctions administered or enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control, the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty's Treasury, the Hong Kong Monetary Authority or other relevant sanctions authority (collectively, "Sanctions") or (ii) located, organized or resident in a country or territory that is the target of Sanctions, including, currently, the Crimea region, Cuba, Iran, North Korea and Syria. Company will not, directly or indirectly, use the proceeds of the Facility, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, (i) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of such funding, is the target of Sanctions, or (ii) in any other manner that would result in a violation of Sanctions by any Person (including any Person participating in the Facility, whether as underwriter, advisor, investor, or otherwise).

Anti-Bribery and Corruption

Company represents and warrants that none of Company, nor to the knowledge of Company, any director, officer, agent, employee, affiliate or other Person acting on behalf of Company or any of its subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a violation by such Persons of any applicable anti-bribery law, including but not limited to, the United Kingdom Bribery Act 2010 (the "UK Bribery Act") and the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"). Furthermore, Company represents and warrants that Company and, to the knowledge of Company, its affiliates have conducted their businesses in compliance with the UK Bribery Act, the FCPA and similar laws, rules or regulations and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith. No part of the proceeds of the Facility will be used, directly or indirectly, for any payments that could constitute a violation of any applicable anti-bribery law.

USA Patriot Act and Beneficial Ownership Regulation

Company represents and warrants that any information, documentation or certification provided by Company as required by the USA Patriot Act, the Beneficial Ownership Regulation or any other anti-money laundering rules and regulations is true and correct in all respects.

RESTRICTED

**PLEDGE AGREEMENT**

(Hypothecation)

This AGREEMENT is entered into at New York, New York, as of **May 1, 2020**, between **GRAHAM CORPORATION, a Delaware corporation**, with an address of **20 Florence Avenue, Batavia, New York 14020** (the "Pledgor") and HSBC Bank USA, National Association, a bank organized under the laws of the United States of America with an address of 452 Fifth Avenue, 4th Floor, New York, New York 10018 (the "Bank").

1. Pledge. In consideration of the Bank's extending credit and other financial accommodations to or for the benefit of the Pledgor, whether evidenced by notes or not, the Pledgor hereby grants to the Bank a security interest in, a lien on and pledge and assignment of the Collateral (as hereinafter defined). The security interest granted by this Agreement is given to and shall be held by the Bank as security for the payment and performance of all Obligations (as hereinafter defined). The Bank shall have the unrestricted right from time to time to apply (or to change any application already made of) the proceeds of any of the Collateral to any of the Obligations, as the Bank in its sole discretion may determine.

2. Definitions. The following definitions shall apply:

- (a) "Bank Affiliate" shall mean any "Affiliate" of the Bank or any lender acting as a participant under any loan arrangement between the Bank and the Borrower(s). The term "Affiliate" shall mean with respect to any person, (a) any person which, directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such person, or (b) any person who is a director or officer (i) of such person, (ii) of any subsidiary of such person, or (iii) any person described in clause (a) above. For purposes of this definition, control of a person shall mean the power, direct or indirect, (x) to vote 5% or more of the Capital Stock having ordinary voting power for the election of directors (or comparable equivalent) of such person, or (y) to direct or cause the direction of the management and policies of such person whether by contract or otherwise. Control may be by ownership, contract, or otherwise.
- (b) "Code" shall mean the Uniform Commercial Code in effect in New York, as amended from time to time.
- (c) "Collateral" shall mean all the Pledgor's present and future right, title and interest in and to any and all of the property listed on Schedule A attached hereto, any additional property which may at any time and from time to time be delivered by or on behalf of the Pledgor to the Bank to be held pursuant to this Agreement, all books, records, and papers relating to the foregoing, all substitutions or renewals therefore, and all proceeds of the foregoing, including, without limitation, all deposit accounts and all cash, securities, instruments, promissory notes or other property at any time and from time to time receivable or otherwise distributed in respect of or in exchange for any of or all of the foregoing.
- (d) "Event of Default" shall mean the occurrence of any one or more of the following events:
  - (i) default of any liability, obligation, covenant or undertaking of the Pledgor or any guarantor of the Obligations to the Bank, hereunder or otherwise, including, without limitation, failure to pay in full and when due any installment of principal or interest or default of the Pledgor or any guarantor of the Obligations under any other Loan Document or any other agreement with the Bank;

RESTRICTED

- (ii) failure of the Pledgor or any guarantor of the Obligations to maintain aggregate collateral security value satisfactory to the Bank in the good faith exercise of its business judgment;
- (iii) default of any material liability, obligation or undertaking of the Pledgor or any guarantor of the Obligations to any other party in aggregate principal amount in excess of \$500,000, and the effect of such default is to permit the holder of such obligation to accelerate the payment thereof;
- (iv) if any statement, representation or warranty heretofore, now or hereafter made by the Pledgor or any guarantor of the Obligations in connection with this Agreement or in any supporting financial statement of the Pledgor or any guarantor of the Obligations shall be determined by the Bank to have been false or misleading in any material respect when made;
- (v) if the Pledgor or any guarantor of the Obligations is a corporation, trust, partnership or limited liability company, the liquidation, termination or dissolution of any such organization, or the merger or consolidation of such organization into another entity, or the division of such organization into one or more entities, or its ceasing to carry on actively its present business or the appointment of a receiver for its property;
- (vi) the death of the Pledgor or any guarantor of the Obligations and, if the Pledgor or any guarantor of the Obligations is a partnership or limited liability company, the death or judicial declaration of incompetence of any partner or member;
- (vii) the institution by or against the Pledgor or any guarantor of the Obligations of any proceedings under the Bankruptcy Code 11 USC §101 *et seq.* or any other law in which the Pledgor or any guarantor of the Obligations is alleged to be insolvent or unable to pay its debts as they mature, or the making by the Pledgor or any guarantor of the Obligations of an assignment for the benefit of creditors or the granting by the Pledgor or any guarantor of the Obligations of a trust mortgage for the benefit of creditors (each of the foregoing in this subclause, an "Insolvency Default");
- (viii) the service upon the Bank of a writ in which the Bank is named as trustee of the Pledgor or any guarantor of the Obligations;
- (ix) a judgment or judgments for the payment of money shall be rendered against the Pledgor or any guarantor of the Obligations in aggregate principal amount in excess of \$500,000;
- (x) , and any such judgment shall remain unsatisfied and in effect for any period of thirty (30) consecutive days without a stay of execution;
- (xi) any levy, lien (including mechanics lien), seizure, attachment, execution or similar process shall be issued or levied on any of the property of the Pledgor or any guarantor of the Obligations;
- (xii) the termination or revocation of any guaranty of the Obligations

(e) "Loan Documents" shall mean this Agreement and all other agreements between the Bank and the Pledgor.

(f) "Obligation(s)" shall include without limitation all loans, advances, indebtedness, notes, liabilities, rate swap transactions, basis swaps, forward rate transactions, commodity swaps, commodity options, equity or equity index swaps, equity or equity index options, bond options, interest rate options, foreign exchange transactions, cap transactions, floor transactions, collar transactions, forward transactions, currency swap transactions, cross-currency rate swap transactions, currency options (provided, however, that if and only if the Pledgor is not an "eligible contract participant" (as defined in the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*) and any applicable rules, as amended), then to the extent applicable law prohibits such Pledgor from entering into an agreement to secure any obligations in respect of a "swap" (as defined in the Commodity Exchange Act and any applicable rules, as amended, and referred to herein as a "Swap"), Obligations shall not include obligations of the Pledgor to Bank under any Swap and amounts, liquidated or unliquidated, owing

RESTRICTED

by the Pledgor to the Bank or any Bank Affiliate at any time, of each and every kind, nature and description, whether arising under this Agreement, any of the Loan Documents or otherwise, and whether secured or unsecured, direct or indirect (that is, whether the same are due directly by the Pledgor to the Bank or any Bank Affiliate; or are due indirectly by the Pledgor to the Bank or any Bank Affiliate as endorser, guarantor or other surety, or as obligor of obligations due third persons which have been endorsed or assigned to the Bank or any Bank Affiliate, or otherwise), absolute or contingent, due or to become due, now existing or hereafter contracted, including, without limitation, payment when due of all amounts outstanding respecting any of the Loan Documents. Said term shall also include all interest and other charges chargeable to the Pledgor or due from the Pledgor to the Bank or any Bank Affiliate from time to time and all costs and expenses referred to in this Agreement.

- (g) "Person" or "party" shall include individuals, partnerships, corporations, limited liability companies and all other entities.

All words and terms used in this Agreement other than those specifically defined herein shall have the meanings accorded to them in the Code.

3. Costs and Expenses. The Pledgor shall pay to the Bank on demand any and all costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements, court costs, litigation and other expenses) incurred or paid by the Bank in establishing, maintaining, protecting or enforcing any of the Bank's rights or the Obligations, including, without limitation, any and all such costs and expenses incurred or paid by the Bank in defending the Bank's security interest in, title or right to the Collateral or in collecting or attempting to collect or enforcing or attempting to enforce payment of the Obligations.

4. Representations, Warranties and Covenants. The Pledgor represents, warrants and covenants that:

- (a) the Pledgor shall at the Pledgor's cost and expense execute all such instruments, documents and papers, and will do all such acts as the Bank may request from time to time to carry into effect the provisions and intent of this Agreement, including, without limitation, as applicable, the execution of stock transfer orders and stock powers, endorsement of promissory notes, certificates of deposit, passbooks and instruments, notifications to obligors on the Collateral, and all such other acts as the Bank may request with respect to the perfection and protection of the security interest granted herein and the assignment effected hereby and the Pledgor hereby authorizes the Bank to take any of the foregoing actions without notice and without further approval of any kind;
- (b) the Pledgor has good and marketable title to the Collateral free and clear of any lien other than the security interest granted herein and the Pledgor shall keep the Collateral free and clear of all liens, encumbrances, attachments, security interests, pledges and charges, and it shall not sell, lease, assign or otherwise dispose of, transfer or grant options with respect to, any Collateral;
- (c) the Pledgor shall deliver to the Bank when received by the Pledgor, any item representing or constituting any of the Collateral, including, without limitation, all cash dividends, all stock certificates whether now existing or hereafter received as a result of any stock dividends, stock splits or otherwise, and all promissory notes, certificates of deposit, passbooks and instruments, in each case in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank. Any and all Collateral and cash, promissory notes, certificates of deposit, passbooks and instruments, securities and other distributions of property which are received by the Pledgor contrary to the provisions of this Agreement, shall be held by the Pledgor in trust for the benefit of the Bank and shall be immediately delivered to the Bank in the form so received (with any necessary endorsement or instrument of transfer or assignment);
- (d) the Pledgor, if a corporation or other entity, shall not change its name, state of organization and/or registration or the location of its chief executive office or principal place of business, and if an individual, his or her primary residence, except in each case upon not less than 30 days prior written notice to Bank;

RESTRICTED

- 
- (e) the Pledgor has not performed and will not perform any acts which might prevent the Bank from enforcing any of the terms of this Agreement or which would limit the Bank in any such enforcement and the Pledgor shall not exercise any right with respect to the Collateral which would dilute or materially adversely affect the Bank's rights in the Collateral. Other than financing statements or other similar or equivalent documents or instruments with respect to the security interests granted hereunder in favor of the Bank, no financing statement, mortgage, security agreement or similar or equivalent document or instrument covering all or any part of the Collateral is on file or of record in any jurisdiction in which such filing or recording would be effective to perfect a lien on such Collateral. No Collateral is in the possession of any person asserting any claim thereto or security interest therein other than the Bank or its designee unless such person has entered into a control agreement satisfactory to the Bank;
- (f) the security interests granted hereunder constitute, under the Code, valid security interests in all Collateral, securing the Obligations and (i) upon the delivery of any of the Collateral to the Bank in accordance herewith, the security interest in such Collateral will be perfected, subject to no prior lien and the Bank will have "control" (as defined in the Code) thereof, (ii) with respect to Collateral, if any, in the possession of a third party, the Bank will have a perfected, first priority security interest in such Collateral upon execution by such third party of a control agreement in form and substance satisfactory to the Bank and (iii) when UCC financing statements in the appropriate form are filed in the appropriate offices, the security interest granted hereunder will constitute a perfected security interest to the extent that a security interest may be perfected by filing pursuant to the Code, prior to all liens and rights of others;
- (g) the Pledgor has full power and authority to enter into this Agreement and to pledge the Collateral hereunder and except for the filing of UCC financing statements, no registration, recordation or filing with any governmental body, agency or official is required in connection with the execution or delivery hereof or is necessary for the validity or enforceability thereof or for the perfection or due recordation of the security interest granted hereunder or for the enforcement thereof;
- (h) as to Collateral, if any, comprised of deposit accounts, the Pledgor has delivered to the Bank every certificate of deposit included in the Collateral, duly endorsed to the Bank and every passbook or other document or instrument evidencing or comprising the Collateral; and
- (i) as to Collateral, if any, comprised of securities:
- (i) the Pledgor shall, upon the request of the Bank, cause the issuer of any uncertificated securities to issue certificates with respect thereto;
  - (xiii) the Pledgor shall, upon the request of the Bank, cause any certificated securities to be issued in the name of the Bank, as pledgee;
  - (xiv) the Pledgor shall not cause or permit any certificated securities to be converted to uncertificated securities;
  - (xv) the Pledgor shall not, without the Bank's prior written consent, file any affidavit for replacement of lost stock certificates or bonds; and
  - (xvi) the Pledgor shall not vote the Collateral in favor of or consent to any resolution which might impose any restrictions upon the sale, transfer or disposition of the Collateral; result in the issuance of any additional shares of stock of any class; vest additional powers, privileges, preferences or priorities to any other class of stock; or adversely affect the rights of the Bank hereunder;
  - (xvii) all shares of capital stock identified in any Schedule to this Agreement are beneficially owned by the Pledgor, have been duly authorized and validly issued, are fully paid and non-assessable, and are subject to no option to purchase or similar right of any person. The Pledgor is not and will not become a party to or otherwise bound by any agreement (including without limitation any voting agreement), other than the Loan Documents, which restricts in any manner the rights of any present or future holder of any Collateral with respect thereto.

RESTRICTED



5. Power of Attorney. The Pledgor hereby irrevocably constitutes and appoints the Bank as the Pledgor's true and lawful attorney, with full power of substitution at the sole cost and expense of the Pledgor but for the sole benefit of the Bank, to endorse in favor of the Bank any of the Collateral; execute and deliver instruments of assignment and/or orders for withdrawal; cause the transfer of any of the Collateral in such name as the Bank may, from time to time, determine; cause the issuance of certificates for book entry and/or uncertificated securities; provide notification in connection with book entry securities or general intangibles and/or provide instructions to the issuers of uncertificated securities or securities intermediaries, as necessary; to renew, extend or roll over any Collateral; and make demand and initiate actions to enforce any of the Obligations. The Bank may take such action with respect to the Collateral as the Bank may reasonably determine to be necessary to protect and preserve its interests in the Collateral. The Bank shall also have and may exercise at any time all rights, remedies, powers, privileges and discretion of the Pledgor with respect to and under the Collateral, provided, however, the Bank shall have no right until an Event of Default has occurred to exercise any voting rights available to the Pledgor at any time the Collateral is held by the Bank solely as pledgee hereunder. Except as limited above, all the rights, remedies, powers, privileges and discretion included in this paragraph may be exercised by the Bank whether or not any of the Obligations are then due and whether or not an Event of Default has occurred. All powers conferred upon Bank by this Agreement, being coupled with an interest, shall be irrevocable until this Agreement terminates in accordance with its terms, all Obligations are irrevocably paid in full and the Collateral is released. The power of attorney shall not be affected by subsequent disability or incapacity of the Pledgor. The Bank shall not be liable for any act or omission to act pursuant to this Paragraph except for any act or omission to act which is caused by the Bank's gross negligence or willful misconduct.

6. Further Assurances. The Pledgor will from time to time execute and deliver to the Bank such documents, and take or cause to be taken, all such other further action, as the Bank may reasonably request in order to effect and confirm or vest more securely in the Bank all rights contemplated by this Agreement (including, without limitation, to correct clerical errors) or to vest more fully in, or assure to the Bank the security interest in, the Collateral or to comply with applicable statute or law. To the extent permitted by applicable law, the Pledgor authorizes the Bank to file financing statements, continuation statements or amendments, and any such financing statements, continuation statements or amendments may be filed at any time in any jurisdiction. The Bank may at any time and from time to time file financing statements, continuation statements and amendments thereto which contain any information required by Article 9 of the Code for the sufficiency or filing office acceptance of any financing statement, continuation statement or amendment, including whether the Pledgor is an organization, the type of organization and any organization identification number issued to the Pledgor. The Pledgor agrees to furnish any such information to the Bank promptly upon request. In addition, the Pledgor shall at any time and from time to time take such steps as the Bank may reasonably request for the Bank (i) to obtain an acknowledgment, in form and substance satisfactory to the Bank, of any bailee having possession of any of the Collateral that the bailee holds such Collateral for the Bank, (ii) to obtain "control" of any Collateral comprised of investment property or deposit accounts (as such terms are defined in the Code), with any agreements establishing control to be in form and substance satisfactory to the Bank, and (iii) otherwise to insure the continued perfection and priority of the Bank's security interest in any of the Collateral and the preservation of its rights therein. The Pledgor hereby constitutes the Bank its attorney-in-fact to execute and file all filings required or so requested for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; and such power, being coupled with an interest, shall be irrevocable until this Agreement terminates in accordance with its terms, all Obligations are irrevocably paid in full and the Collateral is released.

7. Default. If an Event of Default shall occur, at the election of the Bank (but automatically in the case of an Insolvency Default), all Obligations shall become immediately due and payable without notice or demand, except with respect to Obligations payable on demand, which shall be due and payable on demand, whether or not an Event of Default has occurred.

The Bank is hereby authorized, at its election, after an Event of Default or after demand, without any further demand or notice except to such extent as notice may be required by applicable law, to sell or otherwise dispose of all or any of the Collateral at public or private sale and/or enforce and collect the Collateral (including, without limitation, the liquidation of deposit accounts, debt instruments or securities and the exercise of conversion rights with respect to convertible securities, whether or not such instruments or securities have matured and whether or not any penalties or other charges are imposed on account of such action); and the Bank may also exercise any and all other rights and remedies of a secured party under the Code or which are otherwise accorded to it by applicable law, all as the Bank may determine. If

RESTRICTED

notice of a sale or other action by the Bank is required by applicable law, the Pledgor agrees that ten (10) days' written notice to the Pledgor, or the shortest period of written notice permitted by law, whichever is smaller, shall be sufficient notice; and that to the extent permitted by law, the Bank, its officers, attorneys and agents may bid and become purchasers at any such sale, if public, and may purchase at any private sale any of the Collateral that is of a type customarily sold on a recognized market or which is the subject of widely distributed standard price quotations. Any sale (public or private) shall be free from any right of redemption, which the Pledgor hereby waives and releases. No purchaser at any sale (public or private) shall be responsible for the application of the purchase money. Any balance of the net proceeds of sale remaining after paying all Obligations of the Pledgor to the Bank shall be returned to the Pledgor or to such other party as may be legally entitled thereto; and if there is a deficiency, the Pledgor shall be responsible for the same, with interest. The Pledgor acknowledges that any exercise by the Bank of the Bank's rights upon default may be subject to compliance by the Bank with any statute, regulation, ordinance, directive or order of any Federal, state, municipal or other governmental authority, and may impose, without limitation, any of the foregoing restricting the sale of securities. The Bank, in its sole discretion at any such sale, may restrict the prospective bidders or purchasers as to their number, nature of business and investment intentions, and may impose, without limitation, a requirement that the persons making such purchases represent and agree, to the satisfaction of the Bank, that they are purchasing the Collateral for their own account, for investment, and not with a view to the distribution or resale thereof. The proceeds of any collection or of any sale or disposition of the Collateral held pursuant to this Agreement shall be applied towards the Obligations in such order and manner as the Bank determines in its sole discretion, any statute, custom or usage to the contrary notwithstanding.

8. Safe Custody and Exclusivity. The Bank shall have no duty as to the Collateral or protection of the Collateral or any income or distribution thereon, beyond the safe custody of such of the Collateral as may come into the possession of the Bank with the same due care that the bank with which the Bank would maintain its own property, and shall have no duty as to the preservation of rights against prior parties or any other rights pertaining thereto. The Bank's Rights and Remedies (as defined herein) may be exercised without resort or regard to any other source of satisfaction of the Obligations.

9. Indemnification. The Pledgor shall indemnify, defend and hold the Bank and any Bank Affiliate and their directors, officers, employees, agents and attorneys (each an "Indemnitee") harmless of and from any claim brought or threatened against any Indemnitee by the Pledgor, any guarantor or endorser of the Obligations, or any other person (as well as from attorneys' reasonable fees and expenses in connection therewith) on account of the Bank's relationship with the Pledgor, or any guarantor or endorser of the Obligations (each of which may be defended, compromised, settled or pursued by the Bank with counsel of the Bank's election, but at the expense of the Pledgor), except for any claim arising out of the gross negligence or willful misconduct of the Bank. The within indemnification shall survive payment of the Obligations, and/or any termination, release or discharge executed by the Bank in favor of the Pledgor.

10. Waivers. The Pledgor waives notice of intent to accelerate, notice of acceleration, notice of nonpayment, demand, presentment, protest or notice of protest of the Obligations, and all other notices, consents to any renewals or extensions of time of payment thereof, and generally waives any and all suretyship defenses and defenses in the nature thereof. No course of dealing and no delay or omission of the Bank in exercising or enforcing any of its rights, powers, privileges, remedies, immunities or discretion (all of which are hereinafter collectively referred to as the "Bank's Rights and Remedies") hereunder or under applicable law shall constitute a waiver thereof; and no waiver by the Bank of any default of the Pledgor hereunder or of any demand hereunder shall operate as a waiver of any other default hereunder or any other demand hereunder. No term or provision hereof shall be waived, altered or modified except with the prior written consent of the Bank, which consent makes explicit reference to this Agreement. Except as provided in the preceding sentence, no other agreement or transaction, of whatsoever nature, entered into between the Bank and the Pledgor at any time (whether before, during or after the effective date or term of this Agreement) shall be construed in any particular way as a waiver, modification or limitation of any of the Bank's Rights and Remedies under this Agreement (nor shall anything in this Agreement be construed as a waiver, modification or limitation of any of the Bank's Rights and Remedies under any such other agreement or transaction) but all the Bank's Rights and Remedies not only under the provisions of this Agreement but also under any such other agreement or transaction shall be cumulative and not alternative or exclusive, and may be exercised by the Bank at such time or times and in such order of preference as the Bank in its sole discretion may determine.

RESTRICTED

11. Severability. If any provision of this Agreement or portion of such provision or the application thereof to any person or circumstance shall to any extent be held invalid or unenforceable, the remainder of this Agreement (or the remainder of such provision) and the application thereof to other persons or circumstances shall not be affected thereby.

12. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute but one agreement.

13. Complete Agreement. This Agreement and the other Loan Documents constitute the entire agreement and understanding between and among the parties hereto relating to the subject matter hereof, and supersedes, all prior proposals, negotiations, agreements and understandings among the parties hereto with respect to such subject matter.

14. Binding Effect of Agreement. This Agreement shall be binding upon and inure to the benefit of the respective heirs, executors, administrators, legal representatives, successors and assigns of the parties hereto, and shall remain in full force and effect (and the Bank shall be entitled to rely thereon) until released in writing by the Bank. The Bank may transfer and assign this Agreement and deliver the Collateral to the assignee, who shall thereupon have all of the Bank's Rights and Remedies; and the Bank shall then be relieved and discharged of any responsibility or liability with respect to this Agreement and the Collateral. Except as expressly provided herein or in the other Loan Documents, nothing, expressed or implied, is intended to confer upon any party, other than the parties hereto, any rights, remedies, obligations or liabilities under or by reason of this Agreement or the other Loan Documents.

15. Notices. Any notices under or pursuant to this Agreement shall be deemed duly received and effective if delivered in hand to any officer or agent of the Pledgor or Bank, or if mailed by registered or certified mail, return receipt requested, addressed to the Pledgor or Bank at the address set forth in this Agreement or as any party may from time to time designate by written notice to the other party.

16. Reproductions. This Agreement and all documents which have been or may be hereinafter furnished by Pledgor to the Bank may be reproduced by the Bank by any photographic, photostatic, microfilm, xerographic or similar process, and any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business).

17. Governing Law. This Agreement shall be governed by the laws of the State of New York without giving effect to the conflicts of laws principles thereof.

18. Joint and Several. If more than one Pledgor signs this Agreement, then the responsibilities hereunder are joint and several.

19. Completing and Correcting this Agreement. The Borrower authorizes the Bank to fill in any blank spaces and to otherwise complete this Agreement and to correct any patent errors herein.

**20. ADDITIONAL WAIVERS. IN ANY ACTION, SUIT OR PROCEEDING IN RESPECT OF OR ARISING OUT OF THIS AGREEMENT, PLEDGOR WAIVES (i) THE RIGHT TO INTERPOSE ANY SETOFF OR COUNTERCLAIM OF ANY NATURE OR DESCRIPTION, (ii) ANY OBJECTION BASED ON FORUM NON CONVENIENS OR VENUE AND (iii) ANY CLAIM FOR CONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES.**

21. Jurisdiction and Venue. The Pledgor irrevocably submits to the nonexclusive jurisdiction of any Federal or state court sitting in New York, over any suit, action or proceeding arising out of or relating to this Agreement. The Pledgor irrevocably waives, to the fullest extent it may effectively do so under applicable law, any objection it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that the same has been brought in an inconvenient forum. The Pledgor hereby consents to process being served in any such suit, action or proceeding (i) by the mailing of a copy thereof by registered or certified mail, postage prepaid, return receipt requested, to the Pledgor's address set forth herein or such other address as has been provided in writing to the Bank and (ii) in any other manner permitted by law, and agrees that such service shall in every respect be deemed effective service upon the Pledgor.

RESTRICTED

**22. JURY WAIVER. THE PLEDGOR AND BANK EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, AND AFTER AN OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL, (A) WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS AGREEMENT, THE OBLIGATIONS, ALL MATTERS CONTEMPLATED HEREBY AND DOCUMENTS EXECUTED IN CONNECTION HEREWITH AND (B) AGREE NOT TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CAN NOT BE, OR HAS NOT BEEN WAIVED. THE PLEDGOR CERTIFIES THAT NEITHER THE BANK NOR ANY OF ITS REPRESENTATIVES, AGENTS OR COUNSEL HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE BANK WOULD NOT IN THE EVENT OF ANY SUCH PROCEEDING SEEK TO ENFORCE THIS WAIVER OF RIGHT TO TRIAL BY JURY.**

Executed and dated **May 1, 2020**.

Signature Verified:  
(For Bank use)

/s/ Joseph W. Burden  
Name: Joseph W. Burden  
Title: Vice President

Accepted: HSBC Bank USA, National Association

By: /s/ Joseph W. Burden  
Name: Joseph W. Burden  
Title: Vice President

Pledgor:

GRAHAM CORPORATION

/s/ Jeffrey F. Glajch  
Name: Jeffrey F. Glajch  
Title: Chief Financial Officer

RESTRICTED

Pledge Agreement - Obligor 1

2020 Medici, a division of Wolters Kluwer Financial Services

---

**SCHEDULE A**

**Pledged Collateral**

(Omitted)

RESTRICTED

**FIRST AMENDMENT TO  
CREDIT AGREEMENT**

**THIS FIRST AMENDMENT TO CREDIT AGREEMENT** (this "Amendment") dated as of May 1, 2020 is entered into by and among Graham Corporation, a Delaware corporation (the "Borrower"), the other Loan Parties party hereto, the Lenders party hereto, and JPMORGAN CHASE BANK, N.A., as Administrative Agent ("Administrative Agent").

RECITALS

**WHEREAS**, the Borrower, the Lenders and Administrative Agent are parties to that certain Credit Agreement dated as of December 2, 2015 (the "Existing Credit Agreement"), and as the Existing Credit Agreement is amended and modified by this Amendment, the "Credit Agreement"; and

**WHEREAS**, Energy Steel & Supply Co. was originally a party to the Existing Credit Agreement but has since been sold and released therefrom; and

**WHEREAS**, the parties hereto desire to amend certain provisions of the Existing Credit Agreement on the terms and subject to the conditions set forth herein;

**NOW, THEREFORE**, in consideration of the premises and mutual agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

**SECTION 1  
INCORPORATION OF RECITALS; DEFINED TERMS**

The Borrower acknowledges that the Recitals set forth above are true and correct and an integral part of this Amendment. The Recitals set forth above (including the defined terms therein) are hereby incorporated into this Amendment by reference. All other capitalized terms used in this Amendment without definition shall have the same meanings herein as are ascribed to such terms in the Existing Credit Agreement.

**SECTION 2**  
**AMENDMENT TO EXISTING CREDIT AGREEMENT**

**2.1 Amendments to Negative Covenants.**

- (a) Section 6.01 of the Existing Credit Agreement is hereby amended by deleting the “and” at the end of clause (i) thereof, substituting a semi-colon for the period at the end of clause (j) thereof, and inserting the following as clause (k) immediately following clause (j) thereof:
  - (k) a line of credit from HSBC, N.A. to Borrower in the maximum principal amount of \$14,000,000.00 (the ~~HSBC Debt~~”).
- (b) Section 6.02 of the Existing Credit Agreement is hereby amended by deleting the “and” at the end of clause (h) thereof, substituting “; and” for the period at the end of clause (i) thereof, and inserting the following clause (j) immediately following clause (i) thereof:
  - (j) a Lien on one or more Deposit Accounts of the Borrower held at HSBC, N.A. with an aggregate maximum balance in all such Deposit Accounts not to exceed the maximum principal amount of the HSBC Debt.

**2.2 Amendment to Schedule 6.01.** Schedule 6.01 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as Schedule A attached hereto.

**SECTION 3**  
**REPRESENTATIONS AND WARRANTIES**

The Loan Parties hereby represent and warrant to the Administrative Agent and the Lenders that:

**3.1 Due Authorization, etc.** The execution and delivery of this Amendment by the Loan Parties and the performance of each Loan Party’s obligations hereunder are duly authorized by all necessary corporate or limited liability company action, do not require any filing or registration with or approval or consent of any governmental agency or authority, do not and will not conflict with, result in any violation of or constitute any default under any provision of its articles of organization, or operating agreement or that of any of the Loan Parties’ Subsidiaries or any material agreement or other document binding upon or applicable to it or any of its Subsidiaries (or any of their respective properties) or any material law or governmental regulation or court decree or order applicable to it or any of its Subsidiaries, and will not result in or require the creation or imposition of any Lien in any of its properties or the properties of any of its Subsidiaries pursuant to the provisions of any agreement binding upon or applicable to it or any of its Subsidiaries.

**3.2 Validity.** This Amendment has been duly executed and delivered by the Loan Parties and, together with the Credit Agreement, constitutes a legal, valid and binding obligation of the Loan Parties, enforceable against the Loan Parties in accordance with its terms subject, as to enforcement only, to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforceability of the rights of creditors generally.

**3.3 Existing Representations and Warranties.** Each of the Loan Parties hereby represents and warrants to Administrative Agent and the Lenders that, as of the date of this Amendment, the representations and warranties contained in Article III of the Existing Credit Agreement are true and correct on the date of this Amendment, except to the extent that such representations and warranties solely relate to an earlier date.

**SECTION 4**  
**CONDITIONS PRECEDENT**

This Amendment shall become effective upon satisfaction of all of the following conditions precedent:

**4.1 Receipt of Documents:** The Administrative Agent and the Required Lenders shall have received all of the following, each in form and substance satisfactory to the Administrative Agent and the Required Lenders:

- (a) Amendment. A counterpart original of this Amendment duly executed by the Loan Parties party hereto;
- (b) HSBC Documentation. A copy of the agreement(s) providing for the HSBC Debt and the Lien referenced in Section 6.02(j) of the Credit Agreement.
- (c) Other. Such other documents as the Administrative Agent may reasonably request.

**SECTION 5**  
**MISCELLANEOUS**

**5.1 Documents Remain in Effect** Except as specified in Section 2 of this Amendment and in this paragraph, the Existing Credit Agreement and the other Loan Documents remain in full force and effect and each of the Loan Parties hereby ratifies, adopts and confirms its representations, warranties, agreements and covenants contained in, and obligations and liabilities under, the Existing Credit Agreement, as amended by this Amendment, and the other Loan Documents. The additions of Section 6.01(k) and Section 6.02(j) to the Existing Credit Agreement pursuant to this Amendment shall be in replacement of, and not in addition to, the matters set forth in the Consent dated October 8, 2019 delivered by the Administrative Agent and Lenders to the Borrower. Section 4.14 of the Security Agreement shall not apply to the Deposit Account(s) referenced in Section 6.02(j) of the Credit Agreement provided that the aggregate amount deposited in such Deposit Accounts(s) does not exceed the amount of the HSBC Debt, as defined in the Credit Agreement.

**5.2 Reference to Credit Agreement** On and after the effective date of this Amendment, each reference in the Existing Credit Agreement to “this Agreement,” “hereunder,” “hereof,” “herein” or words of like import, and each reference to the “Credit Agreement” in any Loan Documents, or other agreements, documents or other instruments executed and delivered pursuant to the Existing Credit Agreement, shall mean and be a reference to the Credit Agreement.



**5.3 No Waiver.** Except as specifically set forth in Section 2 of this Amendment, this Amendment does not constitute a waiver or consent of any other terms or provisions of the Credit Agreement and the Credit Parties are under no obligation to grant any waiver or consent in the future. Any waiver, consent or modification of the Credit Agreement shall be valid only if documented in a writing executed in accordance with the Credit Agreement, and then only to the extent specifically set forth in such writing. The manner of execution and delivery of this letter shall not establish a course of dealing between the Credit Parties and the Loan Parties in respect of the Loans. The Credit Parties reserve all rights and remedies provided under the Loan Documents and applicable law.

**5.4 Headings.** Headings used in this Amendment are for convenience of reference only, and shall not affect the construction of this Amendment.

**5.5 Counterparts.** This Amendment may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment. The words “executed,” “signed,” “signature,” “delivery,” and words of like import in or relating to this Amendment and the transactions contemplated hereby or thereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

**5.6 Expenses.** Each of the Loan Parties agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Administrative Agent and the Lenders (including reasonable fees, charges and disbursements of Administrative Agent’s attorneys) in connection with the preparation, negotiation, execution, delivery and administration of this Amendment and all other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. In addition, each Loan Party agrees to pay, and save the Administrative Agent and the Lenders harmless from all liability for, any stamp or other taxes which may be payable in connection with the execution or delivery of this Amendment, the borrowings under the Credit Agreement, and the execution and delivery of any instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith, in each case to the same extent required under the Credit Agreement. All obligations provided in this Section 5.6 shall survive any termination of this Amendment or the Credit Agreement.

**5.7 Governing Law.** This Amendment shall be a contract made under and governed by the internal laws of the State of New York. Wherever possible, each provision of this Amendment shall be interpreted in such manner as to be effective and valid under applicable laws, but if any provision of this Amendment shall be prohibited by or invalid under such laws, such provisions shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Amendment.

**5.8 Successors.** This Amendment shall be binding upon each Loan Party, each Credit Party, and their respective successors and assigns, and shall inure to the benefit of each Loan Party, each Credit Party, and the successors and assigns of each Credit Party.

**5.9 Oral Agreements Not Binding** Except as set forth herein, as of the date this Amendment is executed, there are no offers outstanding from the Administrative Agent or the Lenders to the Borrower with respect to the amendments and other agreements set forth herein. Any prior offer by the Administrative Agent or the Lenders, whether oral or written is hereby rescinded in full. There are no oral agreements between Administrative Agent or the Lenders, on the one hand, and the Loan Parties, on the other hand; any agreements concerning the Administrative Agent's and the Lenders' liabilities are expressed only in this Amendment, the Credit Agreement and the existing Loan Documents.

**5.10 Release.** Each Loan Party hereby acknowledges and agrees that: (a) neither it nor any of its respective Subsidiaries has any claim or cause of action against Administrative Agent or any other Secured Party (or any of the directors, officers, employees, agents, attorneys or consultants of any of the foregoing) and (b) the Administrative Agent and the other Secured Parties have heretofore properly performed and satisfied in a timely manner all of their obligations to each Loan Party, and all of their respective Subsidiaries and Affiliates. Notwithstanding the foregoing, the Administrative Agent and the other Secured Parties wish (and the Loan Parties agree) to eliminate any possibility that any past conditions, acts, omissions, events or circumstances would impair or otherwise adversely affect any of their rights, interests, security and/or remedies. Accordingly, for and in consideration of the agreements contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Loan Party (for itself and its Subsidiaries and Affiliates and the successors, assigns, heirs and representatives of each of the foregoing) (collectively, the "Releasors") does hereby fully, finally, unconditionally and irrevocably release, waive and forever discharge the Administrative Agent and the other Secured Parties, together with their respective Affiliates, and each of the directors, officers, employees, agents, attorneys and consultants of each of the foregoing (collectively, the "Released Parties"), from any and all debts, claims, allegations, obligations, damages, costs, attorneys' fees, suits, demands, liabilities, actions, proceedings and causes of action, in each case, whether known or unknown, contingent or fixed, direct or indirect, and of whatever nature or description, and whether in law or in equity, under contract, tort, statute or otherwise, which any Releasor has heretofore had or now or hereafter can, shall or may have against any Released Party by reason of any act, omission or thing whatsoever done or omitted to be done, in each case, on or prior to the date hereof directly arising out of, connected with or related to this Amendment, the Credit Agreement or any other Loan Document, or any act, event or transaction related or attendant thereto, or the agreements of Administrative Agent and the other Secured Parties contained therein, or the possession, use, operation or control of any of the assets of any Loan Party, or the making of any Loans or other advances, or the management of such Loans or other advances or the Collateral. Each Loan Party represents and warrants that it has no knowledge of any claim by any Releasor against any Released Party or of any facts or acts or omissions of any Released Party which on the date hereof would be the basis of a claim by any Releasor against any Released Party which would not be released hereby.

[signature page attached]

---

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Credit Agreement to be duly executed and delivered by their respective authorized officers as of the date first above written.

GRAHAM CORPORATION,  
a Delaware corporation

By: /s/ Jeffrey Glajch  
Name: Jeffrey Glajch  
Title: Chief Financial Officer

JPMORGAN CHASE BANK, N.A., individually, and as  
Administrative Agent, Swingline Lender and Issuing Bank

By: /s/ Elizabeth A. Jordan  
Name: Elizabeth A. Jordan  
Title: Authorized Officer

---

Schedule A

**SCHEDULE 6.01**

Existing Indebtedness

(Omitted)

**Graham Corporation****Amended and Restated Policy on Stockholder Rights Plans**

Given the current market conditions stemming from the COVID-19 pandemic, the Board of Directors (the “Board”) of Graham Corporation (the “Corporation”) has determined to ratify its existing Policy on Stockholder Rights Plans by amending and restating that policy as follows.

The Board will obtain stockholder approval prior to adopting a stockholder rights plan, except in the following limited circumstance. If a majority of the independent members of the Board, in the exercise of their fiduciary duties, conclude that it would be detrimental to the best interests of the Corporation and the holders of the majority of the shares of the Corporation’s common stock to defer the effectiveness of a stockholder rights plan until stockholder approval of the plan can be obtained, then the Board may implement a stockholder rights plan prior to obtaining stockholder approval.

In such a case, the Board will submit the stockholder rights plan to stockholders for approval prior to the first anniversary date of the effective date of the plan or the plan will otherwise terminate. If stockholder approval is not obtained prior to that first anniversary, the rights plan will terminate not later than 30 days after the vote has been certified by the inspector of elections.