

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark one)

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

For Quarterly Period Ended September 30, 2003

OR

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

For the transition period from _____ to _____

Commission File Number 1-8462

GRAHAM CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

16-1194720

(I.R.S. 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

(Former name, former address and former fiscal year, if changed
since last report.)

Indicate by check mark whether the registrant (1) has filed
all reports required to be filed by Section 13 or 15(d) of the
Securities Exchange Act of 1934 during the preceding 12 months
(or for such shorter period that the registrant was required to
file such reports), and (2) has been subject to such filing
requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant is an
accelerated filer (as defined by Rule 12b-2 of the Act).

Yes No

As of October 28, 2003, there were outstanding 1,629,656
shares of common stock, \$.10 per share.

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GRAHAM CORPORATION AND SUBSIDIARIES

FORM 10-Q

SEPTEMBER 30, 2003

PART I - FINANCIAL INFORMATION

Unaudited consolidated financial statements of Graham Corporation (the Company) and its subsidiaries as of September 30, 2003 and for the three month and six month periods ended September 30, 2003 and 2002 are presented on the following pages. The financial statements have been prepared in accordance with the Company's usual accounting policies, are based in part on approximations and reflect all normal and recurring adjustments which are, in the opinion of management, necessary to a fair presentation of the results of the interim periods. The March 31, 2003 Consolidated Balance Sheet was derived from the Company's audited financial statements for the year ended March 31, 2003.

This part also includes management's discussion and analysis of the Company's financial condition as of September 30, 2003 and its results of operations for the three and six month periods then ended.

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GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<Table>

<Caption>

	September 30, 2003 ----	March 31, 2003 ----
<S>	<C>	<C>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 280,000	\$ 217,000
Investments	5,428,000	6,446,000
Trade accounts receivable, net	6,341,000	7,295,000
Domestic and foreign income taxes receivable	131,000	259,000
Deferred income tax asset	2,112,000	1,846,000
Prepaid expenses and other current assets	708,000	367,000
	-----	-----
	24,330,000	26,771,000
Property, plant and equipment, net	9,481,000	9,808,000
Deferred income tax asset	1,491,000	1,610,000
Other assets	79,000	91,000
	-----	-----
	\$35,381,000	\$38,280,000
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt	\$ 1,575,000	\$ 1,524,000
Current portion of long-term debt	51,000	80,000
Accounts payable	2,782,000	4,629,000
Accrued compensation	3,791,000	3,283,000
Accrued expenses and other liabilities	2,146,000	2,344,000
Customer deposits	2,084,000	2,132,000
	-----	-----
	12,429,000	13,992,000
Long-term debt	116,000	127,000
Accrued compensation	272,000	244,000
Deferred income tax liability	51,000	49,000
Other long-term liabilities	60,000	76,000
Accrued pension liability	1,422,000	1,761,000
Accrued postretirement benefits	2,661,000	3,238,000
	-----	-----
Total liabilities	17,011,000	19,487,000
	-----	-----
Shareholders' equity:		
Preferred Stock, \$1 par value - Authorized, 500,000 shares		
Common stock, \$.10 par value -		

Authorized, 6,000,000 shares		
Issued, 1,728,779 shares at September 30, 2003 and 1,716,572 shares at March 31, 2003	173,000	172,000
Capital in excess of par value	4,849,000	4,757,000
Retained earnings	18,103,000	18,767,000
Accumulated other comprehensive loss	(2,857,000)	(2,990,000)
	-----	-----
	20,268,000	20,706,000

</TABLE>

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GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Concluded)

<Table>

<Caption>

	September 30, 2003 ----	March 31, 2003 ----
<S>	<C>	<C>
Less:		
Treasury Stock (99,123 shares on September 30, 2003 and 68,323 shares on March 31, 2003)	(1,385,000)	(1,161,000)
Notes receivable from officers and directors	(513,000)	(752,000)
	-----	-----
Total shareholders' equity	18,370,000	18,793,000
	-----	-----
	\$35,381,000	\$38,280,000
	=====	=====

</Table>

See Notes to Consolidated Financial Statements.

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GRAHAM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

<Table>

<Caption>

Three Months Ended		Six Months Ended	
September 30,		September 30,	
2003	2002	2003	2002
----	----	----	----

<S>	<C>	<C>	<C>	<C>
Net Sales	\$12,457,000	\$11,437,000	\$20,892,000	\$21,605,000
Cost and expenses:				
Cost of products sold	9,697,000	9,202,000	17,137,000	17,576,000
Selling, general and administrative	2,515,000	2,737,000	4,922,000	5,205,000
Interest expense	21,000	20,000	58,000	37,000
Other Income			(522,000)	
	12,233,000	11,959,000	21,595,000	22,818,000
Income (loss) before income taxes	224,000	(522,000)	(703,000)	(1,213,000)
Provision (benefit) for income taxes	68,000	(169,000)	(201,000)	(404,000)
Net income (loss)	156,000	(353,000)	(502,000)	(809,000)
Retained earnings at beginning of period	18,027,000	18,432,000	18,767,000	18,888,000
Dividends	(80,000)	(85,000)	(162,000)	(85,000)
Retained earnings at end of period	\$18,103,000	\$17,994,000	\$18,103,000	\$17,994,000
Per Share Data:				
Basic:				
Net income (loss)	\$.09	\$ (.21)	\$ (.31)	\$ (.49)
Diluted:				
Net income (loss)	\$.09	\$ (.21)	\$ (.31)	\$ (.49)

</Table>

See Notes to Consolidated Financial Statements.

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GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<Table>

<CAPTION>

<S>	Six Months Ended	
	September 2003	September 2002
<C>	<C>	<C>
Operating activities:		
Net loss	\$ (502,000)	\$ (809,000)
Adjustments to reconcile net loss to net cash (used) provided by operating activities:		
Depreciation and amortization	488,000	435,000
Loss on sale of property, plant and equipment		23,000
(Increase) Decrease in operating assets:		
Accounts receivable	1,036,000	11,093,000
Inventory, net of customer deposits	1,075,000	(1,998,000)
Prepaid expenses and other current and non-current assets	(328,000)	(208,000)
Increase (Decrease) in operating liabilities:		
Accounts payable, accrued compensation, accrued expenses and other current and non-current liabilities	(2,393,000)	(2,882,000)
Accrued compensation, accrued pension liability, accrued postemployment benefits	(120,000)	(104,000)
Domestic and foreign income taxes	129,000	(1,507,000)
Deferred income taxes	(120,000)	(68,000)

Total adjustments	(233,000)	4,784,000
	-----	-----
Net cash (used) provided by operating activities	(735,000)	3,975,000
	-----	-----
Investing activities:		
Purchase of property, plant and equipment	(120,000)	(334,000)
Proceeds from sale of property, plant and equipment		5,000
Collection of notes receivable from officers and directors	35,000	32,000
Purchase of investments	(5,421,000)	(17,227,000)
Redemption of investments at maturity	6,472,000	11,000,000
	-----	-----
Net cash provided (used) by investing activities	966,000	(6,524,000)
	-----	-----

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONCLUDED)

<TABLE>

<CAPTION>

	Six Months Ended	
	September 30,	
	2003	2002
	----	----
<S>	<C>	<C>
Financing activities:		
Decrease in short-term debt	(27,000)	(13,000)
Proceeds from issuance of long-term debt	5,350,000	
Principal repayments on long-term debt	(5,401,000)	(47,000)
Issuance of common stock	94,000	
Dividends paid	(162,000)	
Acquisition of treasury stock	(20,000)	
	-----	-----
Net cash used by financing activities	(166,000)	(60,000)
	-----	-----
Effect of exchange rate changes on cash	(2,000)	5,000
	-----	-----
Net increase (decrease) in cash and cash equivalents	63,000	(2,604,000)
Cash and cash equivalents at beginning of period	217,000	2,901,000
	-----	-----
Cash and cash equivalents at end of period	\$ 280,000	\$ 297,000
	=====	=====

</TABLE>

See Notes to Consolidated Financial Statements.

NOTE 1 - INVENTORIES

Major classifications of inventories are as follows:

<TABLE>
<CAPTION>

	9/30/03	3/31/03
	-----	-----
<S>	<C>	<C>
Raw materials and supplies	\$ 1,714,000	\$ 2,417,000
Work in process	10,014,000	14,968,000
Finished products	2,573,000	1,937,000
	-----	-----
	14,301,000	19,322,000
Less - progress payments	4,873,000	8,907,000
- inventory reserve	98,000	74,000
	-----	-----
	\$ 9,330,000	\$10,341,000
	=====	=====

</TABLE>

NOTE 2 - STOCK-BASED COMPENSATION:

In 2003, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure". This standard provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. Additionally, the standard also requires prominent disclosures in the Company's financial statements about the method of accounting used for stock-based employee compensation, and the effect of the method used when reporting financial results.

The Company accounts for stock-based compensation in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation". As permitted by SFAS No. 123, the Company continues to measure compensation for such plans using the intrinsic value based method of accounting, prescribed by Accounting Principles Board (APB), Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. Compensation cost for share equivalent units is recorded based on the quoted market price of the Company's stock at the end of the period.

Under the intrinsic value method, no compensation expense has been recognized for the Company's stock option plans, as all options have been granted with an exercise price equal to the fair market value of the stock on the date of grant. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date for awards under those plans in accordance with the optional methodology prescribed under SFAS No. 123, the Company's net income (loss) and net income (loss) per share would have been the pro forma amounts indicated below:

<TABLE>

<CAPTION>

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Net income (loss)				
as reported	\$156,000	\$ (353,000)	\$ (502,000)	\$ (809,000)
Stock-based employee				
compensation cost of				
related tax benefits		(1,000)	(11,000)	(2,000)
	-----	-----	-----	-----
Pro forma net income (loss)				
per share	\$156,0000	\$ (354,000)	\$ (513,000)	\$ (811,000)
	=====	=====	=====	=====
Basic income (loss)				
per share				
As reported				
Pro forma	\$.09	\$ (.21)	\$ (.31)	\$ (.49)
	\$.09	\$ (.21)	\$ (.31)	\$ (.49)

Diluted income					
(loss) per share	As reported	\$.09	\$ (.21)	\$ (.31)	\$ (.49)
	Pro forma	\$.09	\$ (.21)	\$ (.31)	\$ (.49)

</TABLE>

For purposes of the disclosure above, the fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2003 and 2002:

<TABLE>

<CAPTION>

	2003	2002
	----	----
<S>	<C>	<C>
Expected life	5 years	5 years
Volatility	50.06%	50.00%
Risk-free interest rate	2.25%	2.81%
Dividend yield	2.40%	2.35%

</TABLE>

NOTE 3 - INCOME (LOSS) PER SHARE:

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Common shares outstanding includes share equivalent units which are contingently issuable shares. Diluted income (loss) per share is calculated by dividing net income (loss) by the weighted average number of common and, when applicable, potential common shares outstanding during the period. A reconciliation of the numerators and denominators of basic and diluted income (loss) per share is presented below:

<TABLE>

<CAPTION>

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Basic income (loss) per share				
Numerator:				
Net income (loss)	\$ 156,000	\$ (353,000)	\$ (502,000)	\$ (809,000)
	-----	-----	-----	-----
Denominator:				
Weighted common shares outstanding	1,629,000	1,648,000	1,624,000	1,648,000
Share equivalent units (SEU) outstanding	16,000	16,000	16,000	14,000
	-----	-----	-----	-----
Weighted average shares and SEU's outstanding	1,645,000	1,664,000	1,640,000	1,662,000
	-----	-----	-----	-----
Basic income (loss) per share	\$.09	\$ (.21)	\$ (.31)	\$ (.49)
	=====	=====	=====	=====
Diluted income (loss) per share				
Numerator:				
Net income (loss)	\$ 156,000	\$ (353,000)	\$ (502,000)	\$ (809,000)
	-----	-----	-----	-----
Denominator:				
Weighted average shares and SEU's outstanding	1,645,000	1,664,000	1,640,000	1,662,000
Stock options outstanding	12,000			
	-----	-----	-----	-----
Weighted average common and potential common shares outstanding	1,657,000	1,664,000	1,640,000	1,662,000
	-----	-----	-----	-----
Diluted income (loss) per share	\$.09	\$ (.21)	\$ (.31)	\$ (.49)
	=====	=====	=====	=====

</TABLE>

Options to purchase shares of common stock which totaled 136,250 for the three months ended September 30, 2003 were not included in the computation of diluted earnings per share as the effect would be antidilutive due to the options' exercise price

being greater than the average market price of the common shares.

All options to purchase shares of common stock at various exercise prices were excluded from the computation of diluted loss per share for the six month period in fiscal year 2004 and the three and six month periods in fiscal year 2003 as the effect would be antidilutive due to the net losses for the periods.

NOTE 4 - PRODUCT WARRANTY LIABILITY

The Company estimates the costs that may be incurred under its product warranties and records a liability in the amount of such costs at the time revenue is recognized. The reserve for product warranties is based upon past claims experience and ongoing evaluations of any specific probable claims from customers.

The reconciliation of the changes in the product warranty liability is as follows:

<TABLE>
<CAPTION>

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Balance at beginning of period	\$ 386,000	\$ 360,000	\$ 592,000	\$ 182,000
Expense for product warranties	45,000	144,000	120,000	344,000
Product warranty claims paid	(72,000)	(33,000)	(353,000)	(55,000)
	-----	-----	-----	-----
Balance at end of period	\$ 359,000	\$ 471,000	\$ 359,000	\$ 471,000
	=====	=====	=====	=====

</TABLE>

NOTE 5 - CASH FLOW STATEMENT

Interest paid was \$56,000 and \$37,000 for the six months ended September 30, 2003 and 2002, respectively. In addition, income taxes (refunded) paid were \$(210,000) and \$1,171,000 for the six months ended September 30, 2003 and 2002, respectively.

Non-cash activities during the six months ended September 30, 2003 and 2002 included capital expenditures totaling \$11,000 and \$22,000, respectively, which were financed through the issuance of capital leases. Dividends of \$81,000 and \$86,000 were recorded but not paid during the six months ended September 30, 2003 and 2002, respectively.

NOTE 6 - COMPREHENSIVE INCOME

Total comprehensive income (loss) was \$154,000 and \$(285,000) for the three months ended September 30, 2003 and 2002, respectively. Other comprehensive income for the three months ended September 30, 2003 and 2002 included foreign currency translation adjustments of \$(2,000) and \$68,000, respectively. Total comprehensive loss for the six months ended September 30, 2003 and 2002 was \$369,000 and \$556,000, respectively. Other comprehensive income for the six months ended September 30, 2003 and 2002 included foreign currency translation adjustments of \$133,000 and \$253,000, respectively.

NOTE 7 - OTHER INCOME

On February 4, 2003, the Employee Benefits Committee of the Board of Directors irrevocably terminated postretirement health care benefits for current U.S. employees. However, benefits payable to retirees of record on April 1, 2003 remained unchanged. As a result of the plan change, a curtailment gain of \$522,000 was recognized. This gain is included in the caption "Other Income" in the Consolidated Statement of Operations and

NOTE 8 - SEGMENT INFORMATION

The Company's business consists of two operating segments based upon geographic area. The United States segment designs and manufactures heat transfer and vacuum equipment and the operating segment located in the United Kingdom manufactures vacuum equipment. Operating segment information is presented below:

<TABLE>

<CAPTION>

	Three Months Ended September 30,		Six Months Ended September 30,	
	2003	2002	2003	2002
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Sales from external customers				
U.S.	\$11,129,000	\$10,478,000	\$18,740,000	\$19,473,000
U.K.	1,328,000	959,000	2,152,000	2,132,000
	-----	-----	-----	-----
Total	\$12,457,000	\$11,437,000	\$20,892,000	\$21,605,000
	=====	=====	=====	=====
Intersegment sales				
U.S.	\$ 10,000	\$ 9,000	\$ 38,000	\$ 29,000
U.K.	725,000	193,000	1,066,000	612,000
	-----	-----	-----	-----
Total	\$ 735,000	\$ 202,000	\$ 1,104,000	\$ 641,000
	=====	=====	=====	=====
Segment net income (loss)				
U.S.	\$ 293,000	\$ (199,000)	\$ (219,000)	\$ (765,000)
U.K.	22,000	(145,000)	(276,000)	(158,000)
	-----	-----	-----	-----
Total segment net income (loss)	\$ 315,000	\$ (344,000)	\$ (495,000)	\$ (923,000)
	=====	=====	=====	=====

</TABLE>

The segment net income (loss) above is reconciled to the consolidated totals as follows:

<TABLE>

<CAPTION>

	Three Months Ended September 30,		Six Months Ended September 30,	
	2003	2002	2003	2002
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Total segment net income				

(loss)	\$ 315,000	\$ (344,000)	\$ (495,000)	\$ (923,000)
Eliminations	(159,000)	(9,000)	(7,000)	114,000
	-----	-----	-----	-----
Net income (loss)	\$ 156,000	\$ (353,000)	\$ (502,000)	\$ (809,000)
	=====	=====	=====	=====

</TABLE>

NOTE 9 - RELATED PARTY TRANSACTION

On April 1, 2003, the Company acquired 30,800 shares of common stock previously issued under the Long-Term Stock Ownership Plan from two former officers. This transaction was accounted for as a purchase. The shares were redeemed at the original issue price of \$7.25, as compared to a market price at the time of the closing of \$7.55. This transaction resulted in a \$224,000 increase to treasury stock, a \$204,000 reduction in notes receivable from officers and directors and cash payments to former officers. The cash payments approximate amounts previously paid on the notes.

GRAHAM CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
September 30, 2003

Graham Corporation consists of two operating segments as determined by geographic areas (USA: Graham Corporation, UK: Graham Vacuum and Heat Transfer, Limited and its wholly-owned subsidiary, Graham Precision Pumps, Ltd.).

Certain statements contained in this document, including within this Management's Discussion and Analysis of Financial Condition and Results of Operations, that are not historical facts, constitute "Forward-Looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements, in general, predict, forecast, indicate or imply future results, performance or achievements and generally use words so indicative. The Company wishes to caution the

reader that numerous important factors which involve risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices, and other factors discussed in the Company's filings with the Securities and Exchange Commission, in the future, could affect the Company's actual results and could cause its actual consolidated results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, the Company.

Results of Operations

Consolidated sales increased 9% in the second quarter of fiscal year ending (FYE) March 31, 2004 compared to the same three month period one year ago. Sales from USA and UK operations for the current quarter (including intersegment sales) increased 6% and 78%, respectively. The significant increase in the UK is attributed to several large orders for China from the petrochemical industry.

Consolidated sales for the six months ended September 30, 2003 as compared to 2002 were down 3%. The decrease in sales for the six months is a result of weakening activity in the principal markets served by USA operations.

Cost of sales as a percent of sales for the second quarter was 78% compared to 80% a year ago. Costs of sales as a percent of sales for the USA operating segment for the current quarter was 78% compared to 82% for the quarter ended September 30, 2002. For the UK operating segment, cost of sales as a percent of sales was 73% as compared to 71% a year ago. Costs of sales for the six months ended September 30, 2003 was 82% as compared to 81% for the six months ended September 30, 2002. By operating segment, USA costs of sales was 83% versus 84% and UK costs of sales was 80% compared to 70% for the respective periods ended September 30, 2003 and 2002. Consolidated costs of sales for both the quarterly results and year-to-date results are approximately the same. Operating segment differences from one period to the next resulted largely from differences in product mix and market pricing on specific projects. There are no upward or downward trends on operating costs.

Selling, general and administrative (SG&A) expenses for the quarter were 8% less than SG&A expenses for the quarter ended one year before and 5% lower for the comparative six months. The decrease is due to cost savings actions initiated previously.

The elimination of postretirement medical benefits in FYE 2003 for all employees and former employees not retired and receiving medical benefits as of April 1, 2003 resulted in a curtailment gain of \$522,000. This gain was reported as Other Income in the first quarter of FYE 2004. Other Income for the first quarter of FYE 2003 and for the six months ended September 30, 2003 and 2002 was zero.

Interest expense increased from \$20,000 for the second three month period in fiscal year 2003 to \$21,000 in the current period. For the six months ended September 30, 2003, as compared to 2002, interest expense increased \$21,000 or 57%. This increase came in the UK and relates to higher inventories and corresponding higher borrowings. Actions are being taken to reduce inventory in the UK operation.

The effective income tax rate for the three and six months ended September 30, 2003 was 30% and 29%, respectively, as compared to 32% and 33% for the prior year respective periods. The lower effective six month rate is due to the anticipated impact of the extra territorial income exclusion benefit from foreign shipments.

The net income for the quarter ended September 30, 2003 was \$156,000 or \$.09 per diluted share. This compared to a net loss of \$353,000 or \$.21 per share for the three months ended September 30, 2002. For the six months ended, the net loss as of September 30, 2003 was \$502,000 or \$.31 per diluted share, as compared to a net loss of \$809,000 or \$.49 per diluted share for the six months ended September 30, 2002. In summary, cost saving actions previously initiated are taking hold.

Liquidity and Capital Resources

Consolidated cash flow from operations was negative \$735,000 for the six months ended September 30, 2003, as compared to the six months ended September 30, 2002 when cash flow from operations was positive \$3,975,000. The swing is substantially due to reduced cash collection of \$10,057,000 in the current period. In the comparative prior six month period, significant project cancellation fees were collected.

As indicated in Note 7 to the Consolidated Financial Statements, the Employee Benefits Committee of the Board of Directors terminated postretirement medical benefits for current US employees. At September 30, 2003 a liability remains on the balance sheet, however, 61% of the accrued amount of \$2,806,000 does not represent a cash obligation to anyone. This liability will be amortized into income over the next eleven years.

The Company has the ability to convert the principal outstanding on its line of credit to a two year term loan. Therefore, outstanding balances on the line of credit are classified as long term debt. The Company utilized the line of credit continuously throughout the first quarter of the fiscal year to fund operations and working capital. This activity is reflected under financing activities in the Consolidated Statements of Cash Flows.

The long-term debt to equity ratio remained approximately 1% at September 30 and March 31, 2003. The total liabilities to asset ratio was reduced from 51% at March 31, 2003 to 48% at September 30, 2003 and the current assets to current liabilities ratio improved to 2 to 1 from 1.9 to 1 for the same period. These key ratios are reflective of the continued stability and strength of the Company's financial condition.

Management expects that the cash flow from operations, investments, and lines of credit will provide sufficient resources to fund the fiscal year 2004 cash requirements.

New Orders and Backlog

Orders for the second quarter were down 30% at \$7,854,000 compared to \$11,294,000 for the same period last year. Prior to intercompany eliminations, orders in the United States were \$4,971,000 compared to \$9,912,000 for the same period in fiscal year 2003. Orders in the United Kingdom were \$3,004,000 compared to \$1,932,000 for the same quarter last year. The increase in orders in the UK reflects one order for \$967,000 relating to a Russian offshore oil project. The decrease in orders in the USA is due to delays in order placements on active projects and competitive pricing. Orders for the six months ended September 30, 2003 were \$19,087,000 as compared to \$19,434,000 for the comparable six month period one year ago. The modest decrease in order entry indicates that weak demand will continue into the immediate future.

Backlog of unfilled orders at September 30, 2003 is \$23,545,000 compared to \$28,002,000 at June 30, 2003 and \$31,793,000 at September 30, 2002. Prior to intercompany eliminations, current backlog in the United States of \$21,177,000 compares to \$27,268,000 at June 30, 2003 and \$30,568,000 at September 30, 2002. Current backlog in the United Kingdom of \$3,410,000 compares to \$2,404,000 at June 30, 2003 and \$1,714,000 at September 30, 2002. Included in the USA backlog is \$5,144,000 of orders for electric power plant business that have been suspended by the customer. These orders are protected by cancellation fees. The amount of the cancellation fees is based upon a specific formula contained in the contract. The current consolidated backlog, with the exception of about \$7,186,000, is scheduled to be shipped during the next twelve months and represents orders from traditional markets in the Company's established product lines.

Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to changes in interest rates, foreign currency exchange rates and equity prices, which may adversely impact its results of operations and financial position. The assumptions applied in preparing quantitative disclosures regarding interest rate, foreign exchange rate and equity price risk are based upon volatility ranges experienced in relevant historical periods, management's current knowledge of the business and market place, and management's judgment of the

probability of future volatility based upon the historical trends and economic conditions of the business.

The Company is exposed to interest rate risk primarily through its borrowing activities. Risk associated with interest rate fluctuations on debt is managed by holding interest bearing debt to the absolute minimum and carefully assessing the risks and benefits for incurring long-term debt. Based upon variable rate debt outstanding at September 30, 2003 and 2002, a 1% change in interest rates would impact annual interest expense by \$16,000 and \$11,000, respectively.

Over the past three years, Graham's international consolidated sales exposure approximates 36% of annual sales. Operating in world markets involves exposure to movements in currency exchange rates. Currency movements can affect sales in several ways. Foremost is the ability to competitively compete for orders against competition having a relatively weaker currency. Business lost due to this cannot be quantified. Secondly, cash can be adversely impacted by the conversion of sales in foreign currency to local currency. The substantial portion of Graham's sales is collected in the seller's currency. In the second quarters of 2004 and 2003, sales in foreign currencies were 3% and 2%, respectively, of total sales. For the six months ended September 30, 2003 and 2002, sales in foreign currencies were 2% of total sales for both the six month periods ended September 30, 2003 and 2002. At certain times, the Company may enter into forward foreign exchange agreements to hedge its exposure against unfavorable changes in foreign currency values on significant sales contracts negotiated in foreign currencies.

Graham historically has had limited exposure to foreign currency purchases. Long term, this trend is expected to continue. During the three month periods ended September 30, 2003 and 2002, purchases in foreign currencies were 13% and 3% of cost of goods sold, respectively and 11% and 4%, respectively, for the six months then ended. In FYE 2004, USA operations has entered a significant dollar volume of orders utilizing UK subsidiary products in conjunction with USA equipment. At certain times, forward foreign exchange contracts may be utilized to limit currency exposure.

Foreign operations produced net income (loss) in the second quarter of 2003 and 2002 of \$22,000 and \$(145,000), respectively, and \$(276,000) and \$(158,000) for the six month periods ended September 30, 2003 and 2002, respectively. As currency exchange rates change, translations of the income statements of our UK business into US dollars affects year-over-year comparability of operating results. The Company does not hedge translation risks because cash flows from U.K. operations are mostly reinvested in the U.K. A 10% change in foreign exchange rates would have impacted the second quarter results by approximately \$2,000 and \$14,000 in fiscal years ended 2004 and 2003, respectively, and \$28,000 and \$16,000 for the six months ended September 30, 2003 and 2002, respectively.

The Company has a Long-Term Incentive Plan, which provides for awards of share equivalent units (SEU) for outside directors based upon the Company's performance. The outstanding SEUs are recorded at fair market value thereby exposing the Company to equity price risk. Gains and losses recognized due to market price changes are included in the quarterly results of operations. Based upon the SEUs outstanding at September 30, 2003 and 2002 and the respective quarter end market price per share, a 50% to 75% change in the respective quarter end market price of the Company's common stock would positively or negatively impact the Company's second quarter operating results by \$78,000 to \$117,000 for FYE 2004 and \$69,000 to \$103,000 for FYE 2003. Assuming required net income of \$500,000 to award SEUs is met and SEUs are granted to the seven outside directors in accordance with the plan over the next five years, based upon the September 30, 2003 market price of the Company's stock of \$9.52 per share, a 50% to 75% change in the stock price would positively or negatively impact the Company's operating results by \$132,000 to \$198,000 in 2005, \$150,000 to \$225,000 in 2006, \$163,000 to \$245,000 in 2007, \$177,000 to \$265,000 in 2008 and \$180,000 to \$271,000 in 2009.

Critical Accounting Policies

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The following discussion addresses the most critical accounting policies, which are those that are most important to the portrayal of the financial condition and results, and that

require judgment.

Revenue Recognition

- -----

Percentage-of-Completion - The Company recognizes revenue and all related costs on contracts with a duration in excess of three months and with revenues of \$1,000,000 and greater using the percentage-of-completion method. The percentage-of-completion method is determined by relating actual labor incurred to-date to management's estimate of total labor to be incurred on each contract. Contracts in progress are reviewed monthly, and sales and earnings are adjusted in current accounting periods based on revisions in contract value and estimated costs at completion.

Completed Contract - Contracts with values less than \$1,000,000 are accounted for on the completed contract method. The Company recognizes revenue and all related costs on these contracts upon substantial completion or shipment to the customer. Substantial completion is consistently defined as at least 95% complete with regard to direct labor hours. Customer acceptance is generally required throughout the construction process and the Company has no further obligations under the contract after the revenue is recognized.

Use of Estimates - We have made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses in preparing our financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

Item 4. Controls and Procedures

a. Disclosure controls and procedures. As of the end of the period covered by this quarterly report, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Our disclosure controls and procedures are the controls and other procedures that we designed to ensure that we record, process, summarize and report in a timely manner the information we must disclose in reports that we file with or submit to the SEC. Alvaro Cadena, our Chief Executive Officer, and J. Ronald Hansen, our Chief Financial Officer, reviewed and participated in this evaluation. Based on this evaluation, Messrs. Cadena and Hansen concluded that, as of the date of their evaluation, our disclosure controls were effective.

b. Internal controls. Since the date of the evaluation described above, there have not been any significant changes in our internal accounting controls or in other factors that could significantly affect those controls.

Item 5. Other Information

The Company's chief executive officer and chief financial officer have furnished to the SEC the certification with respect to this Form 10-Q that is required by Section 906 of the Sarbanes-Oxley Act of 2002.

Item 6. Exhibits and Reports on Form 8-K.

a. See index to exhibits.

b. A Form 8-K was filed on July 28, 2003 and included Items 7 and 9. No financial statements were required to be filed as part of the report.

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 thereunto duly authorized.

GRAHAM CORPORATION

/s/J. Ronald Hansen

J. R. Hansen
Vice President Finance and
Administration / CFO (Principal
Accounting Officer)

Date 10/28/03

INDEX OF EXHIBITS

(2) Plan of acquisition, reorganization, arrangement, liquidation or succession

Not applicable.

(3)(i) Articles of Incorporation of Graham Corporation (filed as Exhibit 3(b) to the Registrant's annual report on Form 10-K for the year ended December 31, 1989, and incorporated herein by reference.)

(3)(ii) By-laws of registrant, as amended

(4) Instruments defining the rights of security holders, including indentures

(a) Equity securities

The instruments defining the rights of the holders of Registrant's equity securities are as follows:

Certificate of Incorporation, as amended of Registrant (filed as Exhibit 3(a) to the Registrant's annual report on Form 10-K for the fiscal year ended December 31, 1989, and incorporated herein by reference.)

Stockholder Rights Plan of Graham Corporation
(filed as Item 5 to Registrant's current report
filed on Form 8-K on August 23, 2000 and
Registrant's Form 8-A filed on September 15,
2000, and incorporated herein by reference.)

(b) Debt securities

Not applicable.

(10) Material Contracts

1989 Stock Option and Appreciation Rights Plan of
Graham Corporation (filed on the Registrant's Proxy
Statement for its 1990 Annual Meeting of Stockholders
and incorporated herein by reference.)

1995 Graham Corporation Incentive Plan to Increase
Shareholder Value (filed on the Registrant's Proxy
Statement for its 1996 Annual Meeting of Stockholders
and incorporated herein by reference.)

2000 Graham Corporation Incentive Plan to Increase
Shareholder Value (filed on the Registrant's Proxy
Statement for its 2001 Annual Meeting of Stockholders
and incorporated herein by reference.)

Index to Exhibits (continued)

Graham Corporation Outside Directors' Long-Term
Incentive Plan (filed as Exhibit 10.3 to the Registrant's
annual report on Form 10-K for the fiscal year ended March
31, 1998, and is incorporated herein by reference.)

Employment Contracts between Graham Corporation and
Named Executive Officers (filed as Exhibit 10.4 to the
Registrant's annual report on Form 10-K for the fiscal year
ended March 31, 1998, and is incorporated herein by
reference.)

Senior Executive Severance Agreements with Named
Executive Officers (filed as Exhibit 10.5 to the
Registrant's annual report on Form 10-K for the fiscal year
ended March 31, 1998, and is incorporated herein by
reference.)

Long-Term Stock Ownership Plan of Graham Corporation
(filed on the Registrant's Proxy Statement for its 2000
Annual Meeting of Stockholders and incorporated herein by
reference.)

(11) Statement re-computation of per share earnings

Computation of per share earnings is included in Note 3
of the Notes to Financial Information.

(15) Letter re-unaudited interim financial information

Not applicable.

(18) Letter re-change in accounting principles

Not Applicable.

(19) Report furnished to security holders

None.

(22) Published report regarding matters submitted to vote of
security holders

Index to Exhibits (continued)

The 2003 Annual Meeting of Stockholders of Graham Corporation was held on July 22.

The individuals named below were reelected to serve on the Company's Board of Directors:

<S>	Votes For	Votes Withheld
<C>	<C>	<C>
Helen H. Berkeley	1,518,168	13,524
Alvaro Cadena	1,504,471	27,221

Jerald D. Bidlack, William C. Denninger, Philip S. Hill, H. Russel Lemcke, James J. Malvaso and Cornelius S. Van Rees all continue as directors of the Company.

The appointment of Deloitte & Touche LLP as independent auditors was ratified, with 1,523,070 shares voting for, 3,806 shares voting against, and 4,816 shares abstaining.

(23) Consents of experts and counsel

Not applicable.

(24) Power of Attorney

Not applicable.

(31) Rule 13a-14(a)/15d-14a Certifications

(32) Section 1350 Certifications

(99) Additional exhibits

None.

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER

I, Alvaro Cadena, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Graham Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - c) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2003

/s/ Alvaro Cadena
Alvaro Cadena
President and
Chief Executive Officer

CERTIFICATION OF
CHIEF FINANCIAL OFFICER

I, J. Ronald Hansen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Graham Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - c) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2003

/s/ J. Ronald Hansen
J. Ronald Hansen
Vice President-Finance &
Administration
Chief Financial Officer

GRAHAM CORPORATION AND SUBSIDIARIES
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS
ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Graham Corporation (the "Company") on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alvaro Cadena, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

October 28, 2003

Date

/s/ Alvaro Cadena

Alvaro Cadena
President and
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Graham Corporation and will be retained by Graham Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

GRAHAM CORPORATION AND SUBSIDIARIES
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS
ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Graham Corporation (the "Company") on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Ronald Hansen, Vice President Finance and Administration and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

October 28, 2003

Date

/s/ J. Ronald Hansen

J. Ronald Hansen
Vice President-Finance
and Administration
and Chief Financial
Officer

A signed original of this written statement required by Section 906 has been provided to Graham Corporation and will be retained by Graham Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

BY-LAWS
OF
GRAHAM CORPORATION(1)
(a Delaware Corporation)

ARTICLE 1

DEFINITIONS

As used in these By-Laws, unless the context otherwise requires, the term:

1.1 "Board" means the board of directors of the Corporation.

1.2 "By-laws" means these by-laws of the Corporation, as amended from time to time.

1.3 "Certificate of Incorporation" means the original certificate of incorporation of the Corporation filed on March 7, 1983 to form the Corporation, as amended, supplemented or restated by certificates of amendment, merger or consolidation or other certificates or instruments filed or issued under any statute from time to time after the aforesaid date of filing of such original certificate.

1.4 "Corporation" means GRAHAM CORPORATION.

1.5 "Directors" means the directors of the Corporation.

1.6 "Principal Office of the Corporation" means the principal office of the Corporation located at 20 Florence Avenue, Batavia, New York 14020.

1.7 "Plurality Vote" means the greater number of votes cast for one nominee for an office than the votes cast for any other nominee for the same office.

1.8 "Shareholders" means the shareholders of the Corporation.

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(1) As amended on February 22, 1996, May 28, 1998, October 31, 2002 and July 22, 2003

ARTICLE 2

OFFICES

2.1 Principal Office. In addition to the principal office, the Corporation may have offices and places of business at such other places, within or without the State of Delaware, as the Board may from time to time determine.

ARTICLE 3

SHAREHOLDERS

3.1 Place of Meetings. Every meeting of the shareholders shall be held at the principal office of the Corporation or at such other place within or without the State of Delaware as may be fixed from time to time, by the Board, which place shall be specified in the notice or waiver of notice thereof.

3.2 Annual Meeting for Election of Directors.

The annual meeting of shareholders for the election of directors and the transaction of other business shall be held on the first Wednesday in May of each year at 12 o'clock noon (or at such other hour as may be designated in the notice of meeting), or, if the foregoing date falls on a legal holiday, on the first business day thereafter which is not a Saturday, Sunday or legal holiday, unless a different date and time be fixed, from time to time, by the Board.

3.3 Special Meetings. A special meeting of shareholders unless otherwise prescribed by statute, may be called at any time by the Chairman of the Board or the President or in the absence or disability of the Chairman of the Board and the President a meeting of shareholders may be called by the Secretary, and shall be called by the Secretary on the written request of at least seventy-five percent (75%) of the Directors, which written request shall state the purpose or purposes of such meeting. At a special meeting of shareholders, no business shall be transacted and no corporate action shall be taken other than that stated in the notice of meeting.

3.4 Fixing Record Date. For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board may fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting nor more than sixty (60) days prior to any other action. If no record date is fixed: (i) the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (ii) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the board of directors is necessary, shall be the day on which the first written consent is expressed; and (iii) the record date for determining shareholders for any purpose, other than those specified in clauses (i) and (ii) hereof, shall be at the close of business on the day on which the resolution of the Board relating thereto is adopted. When a determination has been made of shareholders entitled to notice of or to vote at a meeting of shareholders as herein provided, such determination shall apply to any adjournment of such meeting, unless the Board fixes a new record date for the adjourned meeting.

3.5 Notice of Meetings of Shareholders. Whenever under any provision of law or the Certificate of Incorporation or these By-Laws, shareholders are required or permitted to take any action at a meeting, the notice of that meeting shall state the place, date and hour of the meeting and unless it is the annual meeting, indicate that it is being issued by or at the direction of the person or persons calling the meeting. Notice of a special meeting shall also state the purpose or purposes for which the meeting is called. Notice of any annual or special meeting of shareholders shall be given, personally or by mail, not less than ten (10) nor more than sixty (60) days before the date of such meeting to each shareholder entitled to vote thereat. If mailed, such notices shall be deemed to be given when deposited in the United States Mail, with postage thereon prepaid, directed to the shareholder at his address as it appears on the record of shareholders, or, if he shall have filed with the Secretary of the

Corporation a written request that notice to him be mailed to some other address, then directed to him at such other address. An affidavit of the Secretary or of the transfer agent of the Corporation that the notice required by this section has been given shall, in the absence of fraud, be prima facie evidence of the facts therein stated. When a meeting is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned is announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted that might have been transacted on the original date of the meeting. However, if the adjournment is for more than thirty (30) days or if, after the adjournment, the Board fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record who is entitled to vote at the meeting.

3.6 Waiver of Notice. Notice of meeting need not be given to any shareholder who signs a waiver of notice, whether before or after the meeting. The attendance of any shareholder at a meeting, in person or by proxy, shall constitute a waiver of notice by him, except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

3.7 List of Shareholders at Meetings. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

3.8 Quorum of Shareholders. Except as otherwise provided in these By-Laws or in the Certificate of Incorporation, the holders of record of a majority of the shares entitled to vote thereat shall constitute a quorum at a meeting of shareholders for the transaction of any business, provided that when a specified item of business is required to be voted on by a class or series, voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum for the transaction of such specified item of business. When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholder. The shareholders present may adjourn the meeting despite the absence of a quorum.

3.9 Organization. At every meeting of the shareholders, the Chairman of the Board, or an individual appointed by him, who may be, but does not have to be, an officer of the Corporation, shall act as Chairman of the meeting. The Secretary of the Corporation, or in his absence one of the Assistant Secretaries of the Corporation, shall act as Secretary of the meeting.

3.10 Order of Business. The Chairman of the meeting shall conduct all meetings of the shareholders in accordance with the best interests of the Corporation. The order of business at all such meetings shall be as determined by the Chairman of the meeting. The Chairman of the meeting shall have the authority and discretion to establish

reasonable procedural rules for the conduct of the meeting, including regulation of the manner of voting and the conduct of discussion as he or she shall deem appropriate. The Chairman of the meeting shall also have the authority to adjourn the meeting from time to time and place to place as he or she may deem necessary and in the best interests of the Corporation.

3.11 Inspectors of Election. The Board, in advance of any shareholders' meeting, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a shareholders' meeting may, and on the request of any shareholder entitled to vote thereat shall, appoint inspectors. If appointed on the request of one or more shareholders, the holders of a majority of shares present and entitled to vote thereat shall determine the number of inspectors to be appointed. In case any person appointed fails to appear or act, the vacancy may be filled by appointment made by the Board in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of his duties shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors shall determine the number of shares outstanding, the number of shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or any shareholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated and of the vote as certified by them.

3.12 Voting; Proxies. Each shareholder entitled to vote at any meeting may vote either in person or by proxy. Unless otherwise specified in the Certificate of Incorporation or in a resolution, or resolutions, of the Board providing for the issuance of preferred stock, each shareholder entitled to vote shall be entitled to one vote for each share of capital stock registered in his or her name on the transfer books or records of the Corporation. Each shareholder entitled to vote may authorize another person or persons to act for him or her by proxy. All proxies shall be in writing, signed by the shareholder or by his or her duly authorized attorney-in-fact, and shall be filed with the Secretary before being voted. No proxy shall be valid after three (3) years from the date of its execution unless otherwise provided in the proxy. The attendance at any meeting by a shareholder who shall have previously given a proxy applicable thereto shall not, as such, have the effect of revoking the proxy. The Corporation may treat any duly executed proxy as not revoked and in full force and effect until it receives a duly executed instrument revoking it, or a duly executed proxy bearing a later date. If ownership of a share of voting stock of the Corporation stands in the name of two or more persons, in the absence of written directions to the Corporation to the contrary, any one or more of such shareholders may cast all votes to which such ownership is entitled. If an attempt is made to cast conflicting votes by the several persons in whose names shares of stock stand, the vote or votes to which those persons are entitled shall be cast as directed by a majority of those holding such stock and present at such meeting. If such conflicting votes are evenly split on any particular matter, each faction may vote the securities in question proportionally, or any

person voting the shares, or a beneficiary, if any, may apply to the Court of Chancery or such other court as may have jurisdiction to appoint an additional person to act with the persons so voting the shares, which shall then be voted as determined by a majority of such persons and the person appointed by the Court. Except for the election of directors or as otherwise provided by law, the Certificate of Incorporation or these Bylaws, at all meetings of shareholders, all matters shall be determined by a vote of the holders of a majority of the number of votes eligible to be cast by the holders of the outstanding shares of capital stock of the Corporation present and entitled to vote thereat. Directors shall, except as otherwise required by law, these Bylaws or the Certificate of Incorporation, be elected by a plurality of the votes cast by each class of shares entitled to vote at a meeting of shareholders, present and entitled to vote in the election.

3.13 Written Consent of Shareholders. Any action required to be taken at any annual or special meeting of shareholders of the corporation, or any action which may be taken at any annual or special meeting of such shareholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those shareholders who have not consented in writing.

3.14 Procedure for Nominations. Subject to the provisions hereof, the Nominating Committee of the Board shall select nominees for election as directors. Except in the case of a nominee substituted as a result of the death, incapacity, withdrawal or other inability to serve of a nominee, the Nominating Committee shall deliver written nominations to the Secretary at least sixty (60) days prior to the date of the annual meeting. Provided the Nominating Committee makes such nominations, no nominations for directors except those made by the Nominating Committee shall be voted upon at the annual meeting of shareholders unless other nominations by shareholders are made in accordance with the provisions of this Section 3.14. Nominations of individuals for election to the Board at an annual meeting of shareholders may be made by any shareholder of record of the Corporation entitled to vote for the election of directors at such meeting who provides timely notice in writing to the Secretary as set forth in this Section 3.14. To be timely, a shareholder's notice must be delivered to or received by the Secretary not later than the following dates: (i) with respect to an election of directors to be held at an annual meeting of shareholders, sixty (60) days in advance of such meeting if such meeting is to be held on a day which is within thirty (30) days preceding the anniversary of the previous year's annual meeting, or ninety (90) days in advance of such meeting if such meeting is to be held on or after the anniversary of the previous year's annual meeting; and (ii) with respect to an election to be held at an annual meeting of shareholders held at a time other than within the time periods set forth in the immediately preceding clause (i), or at a special meeting of shareholders for the election of directors, the close of business on the tenth (10th) day following the date on which notice of such meeting is first given to shareholders. For purposes of this Section 3.14, notice shall be deemed to first be given to shareholders when disclosure of such date of the meeting of shareholders is first made in a press release reported to Dow Jones News Services, Associated Press or comparable national news service, or in a document publicly filed by the Corporation with the Securities

and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended. Such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) such person's written consent to serve as a director, if elected, and (iv) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission (whether or not the Corporation is then subject to such rules); and (b) as to the shareholder giving the notice (i) the name and address of such shareholder as they appear on the books and records of the Corporation, (ii) the class and number of shares of the Corporation which are owned of record by such shareholder and the dates upon which he or she acquired such shares, (iii) a description of all arrangements or understandings between the shareholder and nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the shareholder, and (iv) the identification of any person employed, retained, or to be compensated by the shareholder submitting the nomination or by the person nominated, or any person acting on his or her behalf to make solicitations or recommendations to shareholders for the purpose of assisting in the election of such director, and a brief description of the terms of such employment, retainer or arrangement for compensation. At the request of the Board, any person nominated by the Nominating Committee for election as a director shall furnish to the Secretary that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee together with the required written consent. No person shall be elected as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3.14.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not properly brought before the meeting in accordance with the provisions hereof and, if he should so determine, he shall declare to the meeting that such nomination was not properly brought before the meeting and shall not be considered.

3.15 Substitution of Nominees. In the event that a person is validly designated as a nominee in accordance with Section 3.14 of this Article III and shall thereafter become unwilling or unable to stand for election to the Board, the Nominating Committee may designate a substitute nominee upon delivery, not fewer than five (5) days prior to the date of the meeting for the election of such nominee, of a written notice to the Secretary setting forth such information regarding such substitute nominee as would have been required to be delivered to the Secretary pursuant to Section 3.14 of this Article III had such substitute nominee been initially proposed as a nominee. Such notice shall include a signed consent to serve as a director of the Corporation, if elected, of each such substituted nominee.

3.16 New Business. Any new business to be taken up at the annual meeting at the request of the Chairman of the Board, the President or by resolution of at least three-fourths of the entire Board shall be stated in writing and filed with the Secretary at least fifteen (15) days before the date of the annual meeting, and all business so stated, proposed and filed shall be considered at the annual meeting, but, except as provided in this Section 3.16, no other proposal shall be acted upon at the annual meeting. Any proposal

offered by any shareholder may be made at the annual meeting and the same may be discussed and considered, but unless properly brought before the meeting such proposal shall not be acted upon at the meeting. For a proposal to be properly brought before an annual meeting by a shareholder, the shareholder must be a shareholder of record and have given timely notice thereof in writing to the Secretary. To be timely, a shareholder's notice must be delivered to or received by the Secretary not later than the following dates:

(i) with respect to an annual meeting of shareholders, sixty (60) days in advance of such meeting if such meeting is to be held on a day which is within thirty (30) days preceding the anniversary of the previous year's annual meeting, or ninety (90) days in advance of such meeting if such meeting is to be held on or after the anniversary of the previous year's annual meeting; and (ii) with respect to an annual meeting of shareholders held at a time other than within the time periods set forth in the immediately preceding clause (i), the close of business on the tenth (10th) day following the date on which notice of such meeting is first given to shareholders. For purposes of this Section 3.16, notice shall be deemed to first be given to shareholders when disclosure of such date of the meeting of shareholders is first made in a press release reported to Dow Jones News Services, Associated Press or comparable national news service, or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended. A shareholder's notice to the Secretary shall set forth as to the matter the shareholder proposes to bring before the annual meeting (a) a brief description of the proposal desired to be brought before the annual meeting; (b) the name and address of the shareholder proposing such business as they appear on the books and records of the Corporation; (c) the class and number of shares of the Corporation which are owned of record by the shareholder and the dates upon which he or she acquired such shares; (d) the identification of any person employed, retained, or to be compensated by the shareholder submitting the proposal, or any person acting on his or her behalf, to make solicitations or recommendations to shareholders for the purpose of assisting in the passage of such proposal, and a brief description of the terms of such employment, retainer or arrangement for compensation; (e) any material interest of the shareholder in the business proposed; and (f) such other information regarding such proposal as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission or required to be delivered to the Corporation pursuant to the proxy rules of the Securities and Exchange Commission (whether or not the Corporation is then subject to such rules). This provision shall not prevent the consideration and approval or disapproval at an annual meeting of reports of officers, directors and committees of the Board or the management of the Corporation, but in connection with such reports, no new business shall be acted upon at such annual meeting unless stated and filed as herein provided. This provision shall not constitute a waiver of any right of the Corporation under the proxy rules of the Securities and Exchange Commission or any other rule or regulation to omit a shareholder's proposal from the Corporation's proxy materials.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that any new business was not properly brought before the meeting in accordance with the provisions hereof and, if he should so determine, he shall declare to the meeting that such new business was not properly brought before the meeting and shall not be considered.

ARTICLE 4

DIRECTORS

4.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of its Board. The Board may adopt such rules and regulations, not inconsistent with applicable laws or the Certificate of Incorporation or these By-Laws as it may deem proper for the conduct of its meetings and the management of the Corporation.

4.2 Number; Qualification; Terms of Office. The number of directors constituting the entire Board shall not be less than three (3) nor more than twelve (12). Within said limits the number of directors shall be fixed from time to time by resolution adopted by a majority of the entire Board of Directors. Each director shall be at least 21 years of age and no director joining the Board after October 30, 2002 shall serve beyond his or her seventy-fifth birthday; provided, however, that any person serving on the Board on October 30, 2002 shall be eligible for reelection to consecutive additional terms as a director beyond attaining the age of seventy-five.

Except as otherwise provided by law or by these By-Laws the directors shall be elected at the annual meeting of the shareholders in each year. The directors shall be divided into three classes, as nearly equal in number as possible, with the term of office of one class expiring each year; i.e., as to the Corporation's First Board of Directors; at the 1983 annual meeting of shareholders, for directors of the first class; at the 1984 annual meeting, for directors of the second class; and at the 1985 annual meeting, for directors of the third class.

At each annual meeting of the shareholders successors to the directors whose terms shall then expire shall be elected to hold office for a term expiring at the third succeeding annual meeting of shareholders.

The foregoing notwithstanding, each director shall serve until his successor has been elected and qualified, or until his earlier resignation, disqualification or removal.

4.3 Election. Directors shall, except as otherwise provided by applicable laws, be elected at the annual meeting of shareholders by a plurality vote of the holders of shares entitled to vote in the election.

4.4 Organization. Meetings of the Board shall be presided over by the Chairman of the Board or such other director or officer as the Chairman of the Board shall designate, and in the absence or incapacity of the Chairman of the Board, the presiding officer shall be the then senior member of the Board in terms of length of service on the Board (which length of service shall include length of service on the Board of Directors of Graham Manufacturing Co., Inc. and any predecessors thereto). The Secretary or, in his absence, a person appointed by the Chairman of the Board (or other presiding person), shall act as secretary of the meeting. The Chairman of the Board (or other person presiding) shall conduct all meetings of the Board in accordance with the best interests of the Corporation and shall have the authority and discretion to establish reasonable procedural rules for the conduct of Board meetings. At the discretion of the Chairman of the Board, any one or more directors may participate in a meeting of the Board or a committee of the Board by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at any such meeting.

4.5 Place of Meeting, etc. The Board may hold its meetings within or without the State of

Delaware at such places as the Board may from time to time by resolution determine or (unless contrary to resolution of the Board) at such place as shall be specified in the notice of the meeting.

4.6 Annual Meeting. After each annual election of directors, the Board may meet, without notice of such meeting, for the purposes of election of officers, and the transaction of other business, on the day when and at the place where such annual election is held, and as soon as practicable after such annual election. Such annual meeting may be held at any other time and place specified in a notice given as hereinafter provided for special meetings of the Board or in a consent and waiver of notice thereof.

4.7 Regular Meetings. Regular meetings of the Board may be held at such times and places as may be fixed from time to time by the Board; and, unless required by the Board, notice of any such meeting need not be given. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting, which would otherwise be held on that day, shall be held at the same hour at such place on the next succeeding business day which is not a Saturday or Sunday.

4.8 Special Meetings. Special meetings of the Board may be called for any purpose at any time by or at the request of the Chairman of the Board or the President. Special meetings of the Board shall also be called by the Secretary upon the written request, stating the purpose or purposes of the meeting, of at least seventy-five percent (75%) of the directors then in office. The persons authorized to call special meetings of the Board shall give notice of such meetings in the manner prescribed by these By-laws and may fix any place, within or without the Corporation's regular business area, as the place for holding any special meeting of the Board called by such persons. No business shall be conducted at a special meeting other than that specified in the notice of meeting.

4.9 Waivers of Notice of Meetings. Except as otherwise provided in this Article IV, at least twenty-four (24) hours notice of meetings shall be given to each director if given in person or by telephone, telegraph, telex, facsimile or other electronic transmission and at least five (5) days notice of meetings shall be given if given in writing and delivered by courier or by postage prepaid mail. The purpose of any special meeting shall be stated in the notice. Such notice shall be deemed given when sent or given to any mail or courier service or company providing electronic transmission service. Any director may waive notice of any meeting by submitting a signed waiver of notice with the Secretary, whether before or after the meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

4.10 Telephonic Meetings. Any one or more members of the Board or any Committee thereof may participate in a meeting of the Board or such Committee by means of conference telephone or similar communication equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at such meeting.

4.11 Quorum and Manner of Acting. A majority of the members of the Board then in office shall constitute a quorum for the transaction of business and the vote of a majority of the directors present at the time of the vote, if a quorum is present at such time, shall be the act of the Board in all transactions, except those in which

a greater vote is required by law, by the Certificate of Incorporation, or by the By-laws, and in such transactions the vote of such greater number of directors shall be the act of the Board. in the absence of a quorum a majority of the directors present may adjourn any meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

4.12 Resignations. Any directors of the Corporation may resign at any time by written notification addressed to the President or the Secretary of the Corporation. Such resignation shall take effect upon receipt, and, unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective.

4.13 Removal of Directors. Any or all of the directors may be removed at any time but only for cause by the shareholders at any meeting of shareholders, called for the purpose, by the affirmative vote of 75% of the shares of the Corporation entitled to vote and, if a corporation, person or other entity owns more than 50% of the shares of the Corporation entitled to vote, by the affirmative vote of the holders of a majority of the shares of the Corporation entitled to vote and not owned by the majority shareholder.

4.14 Vacancies. To the extent not inconsistent with the Certificate of Incorporation and subject to the limitations prescribed by law and the rights of holders of Preferred Stock, vacancies in the office of director, including vacancies created by newly created directorships resulting from an increase in the number of directors, shall be filled only by a vote of a majority of the directors then holding office, whether or not a quorum, at any regular or special meeting of the Board called for that purpose. Subject to the rights of holders of Preferred Stock, no person shall be so elected a director unless nominated by the Nominating Committee. Subject to the rights of holders of Preferred Stock, any director so elected shall serve for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until his or her successor shall be elected and qualified.

4.15 Compensation. Each director, in consideration of his serving as such, shall be entitled to receive from the Corporation such reasonable amount per annum or such reasonable fees for attendance at directors' meetings, or both, as the Board shall from time to time determine, together with reimbursement for the reasonable expenses incurred by him in connection with the performance of his duties. Each director who shall serve as a member of the Executive Committee, if any, or any other committee of the Board, in consideration of his serving as such, shall be entitled to such additional amount per annum or such fees for attendance at committee meetings, or both, as the Board shall from time to time determine. Nothing in this section contained shall preclude any director from serving the Corporation or its subsidiaries in any other capacity and receiving proper compensation therefor.

4.16 Board Action Without a Meeting. Whenever any action is required or permitted to be taken by the Board or any committee thereof, such action may be taken without a meeting if all members of the Board or the committee consent in writing to the adopting of a resolution authorizing the action and the resolution and the written consents thereto by the members of the Board or committee are filed with the minutes of the proceedings of the Board or committee.

ARTICLE 5

COMMITTEES

5.1 How Constituted and Powers. By resolution

adopted by a majority of the entire Board, the directors may designate from their number three or more directors to constitute an Executive Committee and other committees other than the Nominating Committee, each of which, to the extent provided in the resolution designating it, shall have the authority of the Board of Directors with the exception of any authority the delegation of which is prohibited by law.

5.2 Nominating Committee. By resolution adopted by at least seventy-five percent (75%) of the entire Board, the directors shall designate from their number at least three (3) but no more than five (5) directors, to constitute a Nominating Committee. No member of the Nominating Committee shall vote on his or her own nomination. The Nominating Committee shall review qualifications of and interview candidates for the Board and shall make nominations for election of board members in accordance with the provisions of these Bylaws. A quorum shall consist of at least one-third of the members of the Committee, and in no event less than two (2) members of the Committee. The Board may remove a member of the Nominating Committee from the Committee, with or without cause, only by a vote of at least seventy-five per cent (75%) of the entire Board at any regular or special meeting of the Board called for that purpose, provided that no ex-officio member of the Committee may be removed from the Committee as long as such member remains a director of the Corporation.

ARTICLE 6

OFFICERS

6.1 Officers. The Board shall, as soon as practicable after the annual meeting of shareholders in each year elect a Chairman of the Board, a President, a Treasurer and a Secretary, each to have such functions or duties as are provided in these Bylaws or as the Board may from time to time determine and each to hold office for the term for which he is elected and until his successor shall have been duly chosen and shall qualify, or until his death, or until he shall resign or shall have been removed in the manner hereinafter provided. No officer need be a director. The Board may, from time to time, appoint other officers or assistant officers, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws or as the Board may from time to time determine. Any two or more offices may be held by the same person, except the offices of President and Secretary.

6.2 Removal of Officers. Except for the Chairman of the Board, the Chief Executive Officer or the President, any officer may be removed at any regular meeting of the Board with or without cause by an affirmative vote of a majority of the entire Board. The Board may remove the Chairman of the Board, the Chief Executive Officer or the President at any time, with or without cause, only by a vote of seventy-five percent (75%) of the non officer directors then holding office at any regular or special meeting of the Board called for that purpose. Removal of an officer, however effected, shall be without prejudice to his contract rights, if any. Appointment or election of an officer shall not of itself create contract rights.

6.3 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause may be filled for the unexpired portion of the term by the Board at any regular or special meeting provided notice of such intent is given.

6.4 Compensation. Salaries or other compensation of the officers may be fixed from time to time by the Board. No officer shall be prevented from receiving a salary or other compensation by reason of the fact that he is also a director of the Corporation.

6.5 Chairman of the Board. The Chairman of the Board shall preside at all meetings of the shareholders and at all meetings of the Board and shall have such other powers and duties as may from time to time be assigned to him by the Board.

6.6 President. The President shall have general supervision over the business of the Corporation, subject, however, to the control of the Board and of any duly authorized committee of directors. He may, with the Treasurer or the Secretary or an Assistant Treasurer or an Assistant Secretary, sign certificates for shares of the Corporation. He may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts and other instruments, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by any duly authorized committee of directors or by these By-laws to some other officer or agent of the Corporation, or shall be required by law otherwise to be signed or executed, and, in general, he shall perform all duties incident to the office of President and such other duties as from time to time may be assigned to him by the Board or by any duly authorized committee of directors. The President shall hire, appoint, discharge and fix the compensation of all employees, agents and representatives of the Corporation, other than the duly elected or appointed officers, subject to the general supervision of the Board.

6.7 Vice Presidents. At the request of the President, or in his absence or disability, at the request of the Board, the Vice Presidents in the order determined by the Board shall perform all the duties of the President and so acting shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may also, with the Treasurer or the Secretary or an Assistant Treasurer or an Assistant Secretary, sign certificates for shares of the Corporation; may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments authorized by the Board or by any duly authorized committee of directors, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by any duly authorized committee of directors or by these By-laws to some other officer or agent of the Corporation, or shall be required by law otherwise to be signed or executed; and shall perform such other duties as from time to time may be assigned to him by the Board or by any duly authorized committee of directors or by the President.

6.8 Treasurer. The Treasurer shall, if required, by the Board, give a bond for the faithful discharge of his duties, in such sum and with such sureties as the Board shall determine. He shall have charge and custody of, and be responsible for, all funds, securities and notes of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any sources whatsoever; deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with these By-laws; against proper vouchers cause such funds to be disbursed by checks or drafts on the authorized depositories of the Corporation signed in such manner as shall be determined in accordance with any provision of these By-laws, and be responsible for the accuracy of the amounts of all money so disbursed; regularly enter or cause to be entered in books to be kept by him or under his direction full and adequate account of all moneys received or paid by him for the account of the Corporation; have

the right to require, from time to time, reports or statements giving such information as he may desire with respect to any and all financial transactions of the Corporation from the officers or agents transacting the same; render to the President, the Board or any duly authorized committee of directors, whenever the President, the Board or any duly authorized committee of directors, respectively, shall require him so to do, an account of the financial condition of the Corporation and of all his transactions as Treasurer; exhibit at all reasonable times his books of account and other records to any of the directors of the Corporation, upon application at the office of the Corporation where such books and records are kept; and in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board or by any duly authorized committee of directors or by the President; and he may sign with the President or a Vice President certificates for stock of the Corporation.

6.9 The Secretary. The Secretary shall have the duty to record the proceedings of the meetings of the shareholders and directors in a book to be kept for that purpose; he shall see that all notices required to be given by the Corporation are duly given and served; he may, with the President or any of the Vice Presidents, sign certificates for shares of the Corporation; he shall be custodian of the seal of the Corporation and shall affix the seal or cause it to be affixed to all certificates for shares of the Corporation and to all documents the execution of which on behalf of the Corporation under its corporate seal is duly authorized in accordance with the provisions of these By-laws; he shall have charge of the stock ledger and also of the other books, records and papers of the Corporation relating to its organization and management as a Corporation, and shall see that the reports, statements and other documents required by law are properly kept and filed; and shall, in general, perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board or by any duly authorized committee of directors or by the President.

6.10 Assistant Treasurers and Assistant Secretaries. The Assistant Treasurers shall, respectively, if required by the Board, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board shall require. Assistant Treasurers and Assistant Secretaries shall perform such duties as shall be assigned to each of them by the Treasurer and by the Secretary, respectively, or by the Board or by any duly authorized committee of directors or by the President. Assistant Treasurers and Assistant Secretaries may, with the President or a Vice President, sign certificates for stock of the Corporation.

ARTICLE 7

CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

7.1 Checks, Drafts, Etc. All checks, drafts and other orders for the payment of money out of the funds of the Corporation and all notes or other evidences of indebtedness of the Corporation shall be signed on behalf of the Corporation in such manner as shall from time to time be determined by resolution of the Board or of any duly authorized committee of directors.

7.2 Deposits. The funds of the Corporation not otherwise employed shall be deposited from time to time to the order of the Corporation in such banks, trust companies or other depositories as the Board or any duly authorized committee of directors may select or as may be selected by an officer or officers, agent or agents, of the Corporation to whom such power may from time to time be delegated by the Board or any duly authorized committee of directors.

ARTICLE 8

STOCK AND DIVIDENDS

8.1 Transfer Agent and Registrar. The Board shall have the power to appoint one or more Transfer Agents and Registrars for the transfer and registration of certificates of stock of any class, and may require that stock certificates be countersigned and registered by one or more of such Transfer Agents and Registrars.

8.2 Registration and Transfer of Shares. Subject to the provisions of the Certificate of Incorporation of the Corporation, the name of each person owning a share of the capital stock of the Corporation shall be entered on the books of the Corporation together with the number of shares held by him or her, the numbers of the certificates covering such shares and the dates of issue of such certificates. Subject to the provisions of the Certificate of Incorporation of the Corporation, the shares of stock of the Corporation shall be transferable on the books of the Corporation by the holders thereof in person, or by their duly authorized attorneys or legal representatives, on surrender and cancellation of certificates for a like number of shares, accompanied by an assignment or power of transfer endorsed thereon or attached thereto, duly executed, with such guarantee or proof of the authenticity of the signature as the Corporation or its agents may reasonably require and with proper evidence of payment of any applicable transfer taxes. Subject to the provisions of the Certificate of Incorporation of the Corporation, a record shall be made of each transfer.

8.3 Lost, Destroyed, Stolen and Mutilated Certificates. The Board may direct that a new certificate be issued in place of any certificate theretofore issued claimed to have been lost or destroyed, provided it has received proof satisfactory to it by affidavit or otherwise of the facts surrounding the loss or destruction of the certificate and the ownership thereof at the time of such loss or destruction. As a condition precedent to the issuance of a new certificate, the Board may also require the alleged owner to advertise the fact of the loss or destruction in a newspaper chosen by the Board and/or furnish to the Corporation a surety bond in form and amount satisfactory to it indemnifying the Corporation and its directors and officers from all claims and expenses with respect to the certificate claimed to have been lost or destroyed and the duplicate certificate issued in place thereof.

8.4 Dividends, Surplus, Etc. Subject to the provisions of the Certificate of Incorporation and the law of the State of Delaware, the Board (i) may declare dividends on the shares of the Corporation in such amounts as, in its opinion, the condition of the affairs of the Corporation shall render advisable, (ii) may use and apply, in its discretion, any of the surplus of the Corporation or the net profits arising from its business in purchasing or acquiring any of the shares of stock of the Corporation or of purchase warrants therefor in accordance with law, or any of its bonds, debentures, notes, scrip or other securities or evidences of indebtedness, and (iii) may set aside from time to time out of such surplus or net profits such sum or sums as it in its absolute discretion may think proper, as a reserve fund to meet contingencies, or equalizing dividends, or for the purpose of maintaining or increasing the property or business of the Corporation, or for any other purpose it may think conducive to the best interest of the Corporation.

8.5 Holder of Record. Subject to the provisions of the Certificate of Incorporation of

the Corporation, the Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder thereof in fact and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by law.

ARTICLE 9

FORM OF RECORDS

Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs, or any other information storage device, provided that the records so kept can be converted into clearly legible written form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

ARTICLE 10

SEAL

The Board shall provide a corporate seal which shall be in the form of a circle and shall bear the full name of the Corporation and the year of its incorporation, 1983.

ARTICLE 11

FISCAL YEAR

The Fiscal Year of the Corporation shall be the calendar year unless otherwise determined by the Board of Directors.

ARTICLE 12

VOTING OF STOCK HELD

Unless otherwise provided by resolution of the Board, the President may, from time to time, appoint an attorney or attorneys or agent or agents of this Corporation, including himself, in the name and on behalf of the Corporation to cast the votes which the Corporation may be entitled to cast as a stockholder or otherwise in any other corporation, any of whose stock or securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation, or to consent in writing to any action by any such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed on behalf of the Corporation and under its corporate seal, or otherwise, such written proxies, consents, waivers or other instruments as he may deem necessary or proper in the premises; or the President may himself attend any meeting of the holders of stock or other securities of any such other corporation and thereat vote or exercise any or all other powers of the Corporation as the holder of such stock or other securities of such other corporation.

ARTICLE 13

AMENDMENT

Except as otherwise provided by law or under the Corporation's Certificate of Incorporation, the By-laws of the Corporation may not be amended except (a) by resolution adopted by vote of seventy-five percent of the entire Board of Directors, (b) by the shareholders voting upon a proposal recommended by the affirmative vote of 75% of the entire Board of Directors, or (c) by the affirmative vote of (i)

the holders of 75% of the shares of the Corporation entitled to vote and (ii) if any corporation, person, or other entity owns more than 50% of the shares of the Corporation entitled to vote, the holders of a majority of the shares of the Corporation entitled to vote and not owned by the majority shareholder. Directors and any proposed amendment adopted by the Board of Directors for recommendation to the Shareholders shall be adopted at a regular meeting and may be adopted only if (a) a notice specifying the change or amendment shall have been given at a previous regular meeting and entered in the minutes of the Board; (b) a written statement describing the change or amendment shall be made in a notice mailed to the directors of the meeting at which the change or amendment shall be acted upon. Notwithstanding the foregoing, any provision of these Bylaws that contains a supermajority voting requirement shall only be altered, amended, rescinded, or repealed by the Board by a vote not less than the supermajority specified in such provision.