

GRAHAM CORP
Form DEF 14A
June 16, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

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Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

GRAHAM CORPORATION

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(1) Amount Previously Paid:

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GRAHAM CORPORATION
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JULY 31, 2014

The 2014 annual meeting of stockholders of Graham Corporation will be held on Thursday, July 31, 2014, at 11:00 a.m., Eastern Time, at the Hilton Garden Inn, Buffalo Airport, 4201 Genesee Street, Buffalo, New York 14225, for the following purposes, which are more fully described in the accompanying proxy statement:

to elect as Directors the four nominees named in the attached proxy statement;

to approve, on an advisory basis, the compensation of our named executive officers;

to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2015; and

to transact such other business as may properly come before the annual meeting or any adjournment of the annual meeting. Our Board of Directors has fixed the close of business on June 6, 2014 as the record date for determining the stockholders who are entitled to receive notice of and to vote at the annual meeting as well as at any adjournment of the annual meeting.

BY ORDER OF THE BOARD OF DIRECTORS

James R. Lines

President and Chief Executive Officer

Dated: June 16, 2014

If you own shares through a broker, we encourage you to follow the instructions provided by your broker regarding how to vote. Your broker may not vote your shares for director nominees or on the advisory vote on executive compensation unless you provide your broker with voting instructions.

GRAHAM CORPORATION

PROXY STATEMENT

We are furnishing this proxy statement to our stockholders in connection with the solicitation by our Board of Directors of proxies for use at the annual meeting of stockholders for our fiscal year ended March 31, 2014, which we refer to as fiscal year 2014, as well as for use at any adjournment of the annual meeting.

Date and Location of Annual Meeting

The annual meeting will be held on Thursday, July 31, 2014, at 11:00 a.m., Eastern Time, at the Hilton Garden Inn, Buffalo Airport, 4201 Genesee Street, Buffalo, New York 14225.

Record Date and Shares Outstanding

Owners of record of shares of our common stock having a par value of \$0.10, which we refer to as common stock, at the close of business on June 6, 2014, the record date for the annual meeting, are entitled to notice of and to vote at the annual meeting. As of the record date, there were 10,118,906 shares of our common stock issued and outstanding.

Notice and Access of Proxy Materials

The Securities and Exchange Commission's e-proxy rules allow companies to post their proxy materials on the Internet and provide only a Notice of Internet Availability of Proxy Materials to stockholders as an alternative to mailing full sets of proxy materials except upon request. This year, we elected to use this notice and access model. Instead of receiving paper copies of our proxy statement and annual report to security holders, you should have received a Notice of Internet Availability of Proxy Materials, which we refer to as a Notice of Internet Availability. The Notice of Internet Availability includes the information on how to access our proxy materials on the Internet, how to vote and how to request a paper or email copy of such proxy materials at no extra charge this year or on an ongoing basis.

Mail Date

On or about June 16, 2014 we mailed the Notice of Internet Availability to our stockholders.

Proxy Cards and Voting

Each owner of record of our common stock on June 6, 2014 is entitled to one vote for each share of common stock so held.

If we receive a properly executed and dated proxy in time to be voted at the annual meeting, the shares represented by the proxy will be voted in accordance with the instructions contained in the proxy. An executed proxy without instructions marked on it will be voted:

FOR each of the four nominees identified in this proxy statement for election as Director;

FOR approval, on an advisory basis, of the compensation of our named executive officers; and

FOR the ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2015.

An executed proxy without voting instructions marked on it may also be voted by the named proxies for such other business as may properly come before the annual meeting or at any adjournment or postponement of the annual meeting.

Please note, if your shares are held of record by a broker, bank or other nominee, and you wish to vote in person at the annual meeting, you must bring to the annual meeting a letter from the broker, bank or other nominee confirming both (1) your beneficial ownership of the shares as of the June 6, 2014 record date and (2) that the broker, bank or other nominee is not voting the shares at the annual meeting.

Stockholders may vote in person at the annual meeting. We will provide ballots to any stockholder who wishes to vote at the annual meeting.

Quorum

A quorum is required for our stockholders to conduct business at the annual meeting. Pursuant to our amended and restated by-laws, the holders of record of a majority of the shares of our common stock present in person or by proxy and entitled to vote at the annual meeting will constitute a quorum.

Vote Required

The table below shows the vote required to approve each of the proposals described in this proxy statement, assuming the presence of a quorum, in person or by proxy, at the annual meeting.

Proposal Number	Proposal Description	Vote Required
One	Election of the four Director nominees identified in this proxy statement	Plurality of the shares present, in person or by proxy, and entitled to vote ⁽¹⁾
Two	Approval, on an advisory basis, of the compensation of our named executive officers	Majority of the shares present, in person or by proxy, and entitled to vote ⁽²⁾
Three	Ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2015	Majority of the shares present, in person or by proxy, and entitled to vote ⁽³⁾

(1) Our Corporate Governance Guidelines provide that any nominee for Director who receives a greater number of votes withheld from his or her election than for such election shall tender his or her resignation for consideration by the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee shall recommend to the Board the action to be taken with respect to such resignation.

(2) The result of proposal two is not binding upon our Board of Directors or the Compensation Committee. However, our Board of Directors and our Compensation Committee value the opinions of stockholders, and will consider the outcome of this vote when making future compensation decisions.

(3) The selection of Deloitte & Touche LLP is being presented to our stockholders for ratification. The Audit Committee of our Board of Directors will consider the outcome of this vote in its future discussions regarding the selection of our independent registered public accounting firm.

Effect of Not Casting Your Vote and Broker Non-Votes

If you hold your shares in street name, it is critical that you cast your vote if you want it to count in the election of directors and the advisory vote on the compensation of our named executive officers. If you hold your shares in street name and do not indicate how you want your shares voted on these two proposals, your bank or broker is not permitted to, and will not, vote your shares on your behalf. This is known as a broker non-vote. Your bank or broker will, however, continue to have discretion to vote any non-instructed shares to ratify the selection of our independent registered public accounting firm.

Shares subject to broker non-votes are counted for the purpose of determining the presence of a quorum but are not counted for the purpose of determining the number of shares voting in the election of directors or the advisory vote on the compensation of our named executive officers. Thus, broker non-votes will have no effect on the outcome of these proposals.

If you are a stockholder of record and you do not cast your vote, no votes will be cast on your behalf on any of the items of business at the annual meeting.

Abstentions

Abstentions are counted for the purpose of determining the presence of a quorum and the number of shares voting on a proposal. Abstentions will have the same effect as a vote against a proposal requiring the approval of a majority of the shares present, in person or by proxy, and entitled to vote.

Revocability of Proxies

Your attendance at the annual meeting will not automatically revoke your proxy. However, you can revoke your proxy at any time before it is voted at the annual meeting by:

voting again via the Internet or by telephone (only your latest Internet or telephone vote submitted prior to the annual meeting will be counted);

delivering a written notice of revocation to our Corporate Secretary;

delivering a duly executed proxy bearing a later date to our Corporate Secretary; or

attending the annual meeting, filing a written notice of revocation with our Corporate Secretary, and voting in person.

Notices of revocation and revised proxies should be sent to our Corporate Secretary at the following address: Graham Corporation, Attention: Corporate Secretary, 20 Florence Avenue, Batavia, New York 14020.

Solicitation of Proxies

This proxy solicitation is made by our Board of Directors on our behalf, and we will bear the cost of soliciting proxies. In addition to solicitation by mail, our Directors, officers and employees may solicit proxies personally or by telephone or other telecommunication. We will not compensate our Directors, officers or employees for making proxy solicitations on our behalf. We will provide persons holding shares in their name or in the names of nominees, which in either case are beneficially owned by others, soliciting materials for delivery to those beneficial owners and will reimburse the record owners for their expenses in doing so.

Principal Executive Offices

Our principal executive offices are located at 20 Florence Avenue, Batavia, New York 14020. Our telephone number is 585-343-2216.

Annual Report to Stockholders and Annual Report on Form 10-K

Our fiscal year 2014 annual report to stockholders is available at www.graham-mfg/proxy. Our annual report on Form 10-K for the fiscal year ended March 31, 2014, as filed with the Securities and Exchange Commission, is included in the fiscal year 2014 annual report. The fiscal year 2014 annual report includes our audited financial statements, along with other information about us, which we encourage you to read.

You can obtain, free of charge, a copy of our annual report on Form 10-K by:

accessing our website at www.graham-mfg.com/proxy;

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writing to us at: Graham Corporation, Attention: Annual Report Request, 20 Florence Avenue, Batavia, New York 14020; or

telephoning us at 585-343-2216.

You can also obtain a copy of our annual report on Form 10-K and all other reports and information that we file with, or furnish to, the Securities and Exchange Commission from the Securities and Exchange Commission's EDGAR database located at www.sec.gov.

PROPOSAL ONE:

ELECTION OF DIRECTORS

Our Board of Directors currently consists of seven members. Our amended and restated by-laws provide for a classified Board of Directors consisting of three classes of Directors, with each class serving a staggered three-year term. As a result, only a portion of our Board of Directors is elected each year. The terms of two of our seven Directors, James J. Barber, Ph.D. and Gerard T. Mazurkiewicz, will expire at the 2014 annual meeting. In addition, we recently amended and restated our by-laws to increase the maximum number of Directors from seven to nine. In connection with this increase and in view of our growth plans as well as succession planning for the Board of Directors, the Board of Directors has determined to fill two additional seats on the Board of Directors.

The Nominating and Corporate Governance Committee of our Board of Directors has nominated Jonathan W. Painter and Lisa M. Schnorr for election as Directors, and Dr. Barber and Mr. Mazurkiewicz for re-election as Directors. If elected, Dr. Barber and Mr. Mazurkiewicz will hold office for a three-year term expiring in 2017 or until his successor is duly elected and qualified. If elected, Mr. Painter will hold office for a two-year term expiring in 2016 or until his successor is duly elected and qualified. If elected, Ms. Schnorr will hold office for a one-year term expiring in 2015 or until her successor is duly elected and qualified. Our Board of Directors does not contemplate that any of the four nominees will be unable to serve as a Director, but if that contingency should occur before the proxies are voted, the designated proxies reserve the right to vote for such substitute nominee(s) as they, in their discretion, determine.

Our amended and restated by-laws require mandatory retirement at age 75 for Directors who become members of our Board of Directors for the first time after October 30, 2002. No retirements pursuant to this provision occurred during fiscal year 2014.

The Securities and Exchange Commission's rules require us to discuss briefly the specific experience, qualifications, attributes or skills that led our Board of Directors to conclude that each Director or Director nominee should serve on our Board of Directors. We have provided this discussion in a separate paragraph immediately following the biographical information below.

Board Recommendation

Our Board of Directors unanimously recommends a vote **FOR** the election of each of Dr. Barber and Mr. Mazurkiewicz as Directors for a three-year term expiring in 2017, Mr. Painter as a Director for two-year term expiring in 2016 and Ms. Schnorr as a Director for a one-year term expiring in 2015.

Nominees Proposed for Election as Directors at the 2014 Annual Meeting

James J. Barber, Ph.D.

Age: 60

Director Since: 2011

Dr. Barber has been an independent consultant and the principal of Barber Advisors, LLC since September 2007. From January 2000 to May 2007, Dr. Barber was the President and Chief Executive Officer of Metabolix, Inc. (NASDAQ: MBLX), a bioscience company focused on plastics, chemicals and energy. He was responsible for transforming Metabolix from a research boutique into a leader in clean tech and industrial biotechnology.

Prior to joining Metabolix, Dr. Barber served as Global Business Director for the Organometallics and Catalysts business of Albemarle Corporation, a specialty chemicals company. Prior to his tenure at Albemarle, Dr. Barber was Director of Business Development at Ethyl Corporation, a fuel additives company. He also previously served as President of Geltech, Inc., a precision molded micro optics company, and as Chief Operating Officer of Hyperion Catalysis International, a carbon developer and producer.

From August 2008 through March 2009, Dr. Barber served as a Director of Codon Devices, a start up company focused on synthesizing DNA and other genetic material, which is no longer in business. From February 2008 through November 2010, Dr. Barber was a Director and on the

Finance Committee of Bluewater Holdings

Corp., a provider of sewage and water-treatment services, which filed for Chapter 11 bankruptcy protection in October 2010. Between June 2008 and August 2009, he served as the acting Executive Director of Diagnostics For All, a not-for-profit company which develops low-cost, easy-to-use, point-of-care diagnostic devices designed for use in resource-poor settings.

Dr. Barber currently is a Director of Agrivida, a developer of proprietary crops and processes designed to transform the economics of producing renewable chemicals, fuels, and bioproducts from non-food cellulosic biomass, a Director and Chairman of Allylix Inc., a private renewable chemicals company that develops terpene products and their derivatives for the flavor and fragrance, food ingredient, pharmaceutical, agricultural and biofuel markets, a Director of Segetis, Inc. a private technology-enabled green chemistry company producing versatile chemical building blocks, and a Director of Nanocomp Technologies, Inc., a producer of carbon nanofiber products.

Dr. Barber was awarded the American Chemical Society's Henry F. Whalen, Jr. award for Business Development in September 2003. He received his B.S. in Chemistry from Rensselaer Polytechnic Institute and a Ph.D. in Organic Chemistry from the Massachusetts Institute of Technology. He currently serves on the Advancement Council of the College of Polymer Science and Polymer Engineering at the University of Akron.

Dr. Barber brings to our Board of Directors substantial executive level leadership experience and a deep understanding of product and business development in highly technical industries and alternative energy markets. Dr. Barber also has significant experience in structuring both joint venture and acquisition transactions and assists our Board of Directors in pursuing our business objectives.

Gerard T. Mazurkiewicz

Age: 67

Director Since: 2007

Mr. Mazurkiewicz has been a Tax Partner with Dopkins & Company, LLP, a regional accounting firm located in Buffalo, New York, since 2004. Prior to his tenure at Dopkins & Company, Mr. Mazurkiewicz spent more than 32 years with KPMG, LLP, and was the Partner in Charge of KPMG's upstate New York/Albany tax practice prior to his retirement in 2002.

Mr. Mazurkiewicz also serves as a Director of Trebor, Inc., a distributor of tissue, pulp, paper and container board and as a Director of Robert James Sales, Inc., a distributor of corrosion resistant piping products. Mr. Mazurkiewicz previously served as a Director of Great Lakes Bancorp, Inc. until its merger with First Niagara Bank in 2008.

Mr. Mazurkiewicz received his B.S. in Business Administration from the State University of New York at Buffalo School of Management. He is a member of the American Institute of Certified Public Accountants and the Buffalo Chapter of the New York State Society of Certified Public Accountants. Mr. Mazurkiewicz also serves on numerous not-for-profit boards and foundations, including the Women's and Children's Hospital of Buffalo Foundation, the Kaleida Foundation, Hilbert College, the University of Buffalo Foundation, the Community Foundation for Greater Buffalo and the Erie Tobacco Asset Securitization Corporation.

Mr. Mazurkiewicz is well qualified to serve as a member of our Board of Directors. He is our Board's audit committee financial expert under applicable Securities and Exchange Commission rules. Mr. Mazurkiewicz's significant accounting and financial background, as well as his substantial leadership experience, position him well to understand and provide value related to finance, management, operations, and risk.

Jonathan W. Painter

Age: 55

First-time Director Nominee

Mr. Painter is the President and Chief Executive Officer and a Director of Kadant Inc. (NYSE: KAI), a leading global supplier of high value components and engineered systems used in process industries, including the pulp and paper industry. Mr. Painter was named Chief Executive Officer and a Director of Kadant in January 2010 after being named President in September 2009. Prior to becoming President, Mr. Painter served as an Executive Vice President from 1997 to September 2009, with supervisory responsibility for Kadant's stock-preparation and fiber-based products businesses from March 2007 to September 2009. He also served as the President of Kadant's composites building products business from 2001 until its sale in 2005. Mr. Painter joined Kadant's predecessor, Thermo Fibertek Inc. in 1994.

Mr. Painter received his B.A. in political science from Kenyon College and his J.D. from Boston College Law School.

Mr. Painter would bring valuable experience to the Board of Directors and management as a current President and Chief Executive Officer of a public company that, similar to us, is in the business of designing, manufacturing and marketing specialized, engineered equipment. The Board of Directors believes that Mr. Painter's diverse experience in operations, finance, mergers and acquisitions and corporate strategy would enable him to provide crucial insight to the Board and management and help us achieve our strategic goals.

Lisa M. Schnorr

Age: 48

First-time Director Nominee

Ms. Schnorr has been Senior Vice President, Total Rewards for Constellation Brands, Inc. (NYSE: STZ), a leading premium wine company and beer importer since January 2014. In this role, Ms. Schnorr has global responsibility for designing and implementing Constellation Brands compensation and benefits programs. Ms. Schnorr joined Constellation Brands in May 2004 as Director, Investor Relations, and has held a number of leadership positions since that time, including Chief Financial Officer of Constellation Wines Australia, a former division of Constellation Brands from January 2009 to December 2009, Vice President, JV Business Development from January 2010 to April 2011 and Vice President, Compensation & HRIS from May 2011 to January 2014.

Prior to joining Constellation Brands, Ms. Schnorr was Director, Investor Relations at Choice One Communications, Inc. and held various positions with Bausch & Lomb Incorporated, including in investor relations, corporate accounting and reporting and financial planning and analysis. Ms. Schnorr began her career at Price Waterhouse, a predecessor to PricewaterhouseCoopers LLP.

Ms. Schnorr received her B.S. in Accounting from the State University of New York at Oswego. Ms. Schnorr currently serves on the Board of Directors of the Oswego Alumni Association.

With her background in human resources and investor relations with large public companies, Ms. Schnorr would offer a global business and organizational perspective to our Board of Directors. The Board of Directors believes that Ms. Schnorr's background and expertise would enable her to help guide us through a continued period of organic and acquisition-related growth. In addition, Ms. Schnorr would bring additional financial and accounting expertise to our Board of Directors.

Directors Whose Terms Do Not Expire at the 2014 Annual Meeting

Helen H. Berkeley

Age: 85

Director Since: 1998

Term Expires: 2015

Ms. Berkeley is a private investor.

As a long-term private investor in our company, Ms. Berkeley brings a unique perspective to our Board of Directors. During her tenure on our Board of Directors, Ms. Berkeley has acquired a deep understanding of our company and our markets. Ms. Berkeley has served on several not-for-profit boards including her service on the board of the Memorial Art Gallery of the University of Rochester and current service on the board of the Genesee Country Village & Museum.

Alan Fortier

Age: 57

Director Since: 2008

Term Expires: 2015

Mr. Fortier has served as President of Fortier & Associates, Inc., a strategy and profit improvement consulting firm located in Fort Lee, New Jersey focused on petrochemicals and capital goods companies, since 1988. Mr. Fortier received his B.S. in Chemical Engineering from Cooper Union and his MBA from Harvard Business School.

Mr. Fortier brings to our Board of Directors more than 30 years of global industrial experience as a strategy consultant, educator and manager. Our Board of Directors and management team benefits from his extensive background in our served markets and his extensive experience advising boards and senior executives of global capital goods businesses on business strategy, mergers and acquisitions, global growth, organizational development and management control.

James R. Lines

Age: 53

Director Since: 2006

Term Expires: 2015

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Mr. Lines became our President and Chief Executive Officer in January 2008. Previously, Mr. Lines served as our President and Chief Operating Officer since June 2006. Mr. Lines has served us in various capacities since 1984, including Vice President and General Manager, Vice President of Engineering, and Vice President of Sales and Marketing. Prior to joining our management team, he served us as an application engineer and sales engineer as well as a product supervisor. Mr. Lines holds a B.S. in Aerospace Engineering from the State University of New York at Buffalo.

As our President and Chief Executive Officer, and as a result of his day-to-day leadership of the business, Mr. Lines provides our Board of Directors with valuable insight regarding the operations of our company and our management team and he performs a critical role in Board discussions regarding strategic planning and development. Our Board of Directors also benefits from his historical knowledge of our company and his broad and in-depth understanding of our markets and customers. Mr. Lines has served our company in various executive capacities for more than 20 years, and has more than 30 years of experience interacting with our customers, engineering contractors, competitors and similar companies serving the energy markets.

Jerald D. Bidlack

Age: 78

Director Since: 1985

Term Expires: 2016

Mr. Bidlack has served as President of Griffin Automation, Inc., a manufacturer of special automation machinery and systems located in West Seneca, New York, since 1992. Mr. Bidlack has served as Chairman of our Board of Directors since 1998.

Mr. Bidlack is an experienced business leader and licensed professional engineer with the skills necessary to be the Chairman of our Board. As one of our Directors for more than 29 years and as our Chairman of our Board since 1998, he has a deep understanding of our company and our markets. Mr. Bidlack also provides our Board of Directors with critical insight, innovation and guidance based on his substantial engineering and financial background, and his experience in leading, managing and growing complex multi-national businesses for over 40 years. Mr. Bidlack also serves as a Trustee Emeritus of Keuka College.

James J. Malvaso

Age: 64

Director Since: 2003

Term Expires: 2016

Mr. Malvaso was a senior advisor to Toyota Material Handling Group, a distributor of Toyota material handling equipment through May 2013. Until his retirement on March 31, 2012, he was the President and Chief Executive Officer of Toyota Material Handling North America and the Managing Officer of Toyota Industries Corporation, positions he held since April 2010. Previously, and since 1997, Mr. Malvaso served as the Chairman, President and Chief Executive Officer of The Raymond Corporation, a subsidiary of Toyota and the North American market leader in electric warehouse trucks, located in Greene, New York. Previously, from 1993 to 1996, Mr. Malvaso served as Chief Operating Officer and Vice President-Operations of The Raymond Corporation. Mr. Malvaso is a former President of the Industrial Truck Association and a current member of its Industrial Truck Standards Development Board. Mr. Malvaso has also served as a Trustee of LeMoyne College.

Mr. Malvaso has proven business acumen, having successfully served as the chief executive officer of large, complex businesses with global operations. His experience with a major industrial equipment company is particularly helpful to our Board of Directors in understanding the challenges of global manufacturing, distribution and sales as it relates to the business and strategy of our company.

CORPORATE GOVERNANCE

Our Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The function, composition, and number of meetings of each of these committees held during fiscal year 2014 are described below.

Director Independence

Our Board of Directors has affirmatively determined that Directors Barber, Berkeley, Bidlack, Fortier, Malvaso and Mazurkiewicz, and Director nominees Painter and Schnorr are each independent and have no material relationship with us as required by the independence standards of the New York Stock Exchange, which we refer to as the NYSE.

Board Leadership Structure

Mr. Bidlack, a non-executive independent Director, serves as Chairman of our Board of Directors. Our Board of Directors believes that its leadership structure, with a non-executive chairman position separate from our President and Chief Executive Officer, provides appropriate, independent oversight of management. As Chairman of our Board of Directors, Mr. Bidlack presides at all meetings of our Board of Directors and stockholders; presides during regularly held sessions with only the independent Directors; encourages and facilitates active participation of all Directors; develops the calendar of and agendas for Board meetings in consultation with our Chief Executive Officer and other members of our Board; determines, in consultation with our Chief Executive Officer, the information that should be provided to our Board in advance of meetings; and performs any other duties requested by our Board from time to time.

Committees and Meetings of the Board; Meeting Attendance

The duties and responsibilities of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are set forth in their respective charters. The current charter of each Board committee is available on our website at www.graham-mfg.com under the heading **Investor Relations** and the subheading **Corporate Governance**. The information contained on our website is not a part of this proxy statement.

The following table lists the four committees of our Board of Directors, the chairs of each committee, the Directors who currently serve on them and the number of committee meetings held in fiscal year 2014.

Name	Independent	Committee Membership			
		Audit Committee	Compensation Committee	Corporate Governance Committee	Employee Benefits Committee
Dr. Barber	Yes	X			X
Ms. Berkeley	Yes		X		C
Mr. Bidlack	Yes	X	X	X	X
Mr. Fortier	Yes	X	X	C	
Mr. Malvaso	Yes	X	C	X	
Mr. Mazurkiewicz	Yes	C			X
Meetings in					
Fiscal Year 2014		5	3	3	1

C = Chairperson

X = Member

During fiscal year 2014, our Board of Directors held a total of five meetings. Each Director attended at least 75% of the aggregate of (1) the total number of meetings of our Board of Directors, and (2) the total number of meetings of all committees of our Board of Directors on which he or she served.

Our policy requires that each Director attend our annual meeting of stockholders or provide the Chairman of our Board with advance notice of the reason for not attending. All of our Directors attended our 2013 annual meeting of stockholders.

The non-management directors meet without members of management present during regularly scheduled executive sessions and at such other times as they deem necessary or appropriate. The Chairman of our Board presides over the executive sessions.

Audit Committee

We have a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. Our Board of Directors has affirmatively determined that each member of the Audit Committee satisfies the independence standards of the NYSE applicable to audit committee members and applicable Securities and Exchange Commission rules. Our Board of Directors has also determined that Mr. Mazurkiewicz qualifies as an audit committee financial expert in accordance with applicable Securities and Exchange Commission rules based on his professional work experience as described in his biography under Proposal One: Election of Directors.

The Audit Committee reviews with Deloitte & Touche LLP, our independent registered public accounting firm, our financial statements and internal control over financial reporting, Deloitte & Touche LLP's auditing procedures and fees, and the possible effects of professional services upon the independence of Deloitte & Touche LLP.

The Audit Committee works closely with our Board of Directors, our executive management team, and our independent registered public accounting firm to assist our Board in overseeing our accounting and financial reporting processes and financial statement audits. In furtherance of these responsibilities, the Audit Committee is charged with assisting our Board of Directors in its oversight of:

the integrity of our financial statements and internal controls;

our compliance with legal and regulatory requirements;

the qualifications and independence of our independent registered public accounting firm;

the performance of our independent registered public accounting firm; and

the planning for and performance of our internal audit function.

In addition, the Audit Committee's responsibilities include reviewing and overseeing any transactions between us and any related person as defined by the Securities and Exchange Commission's rules and discussing our guidelines and policies with respect to risk assessment and risk management. The Audit Committee is also responsible for preparing the Audit Committee's report that the Securities and Exchange Commission's rules require be included in our annual proxy statement, and performing such other tasks that are consistent with the Audit Committee's charter. The Audit Committee's report relating to fiscal year 2014 appears under the heading Report of the Audit Committee.

Compensation Committee

The Compensation Committee annually reviews and approves the goals and objectives relevant to the compensation of the Chief Executive Officer, evaluates the Chief Executive Officer's performance and either as a committee or with the other independent Directors of the Board, determines and approves the Chief Executive Officer's compensation levels. The Compensation Committee also annually reviews and approves salaries, incentive cash awards and other forms of compensation paid to our other executive officers, approves recipients

of equity-based awards and establishes the number of shares and other terms applicable to such awards. The Compensation Committee also construes the provisions of and generally administers the Amended and Restated 2000 Graham Corporation Incentive Plan to Increase Shareholder Value, which we refer to as the Incentive Plan. The Compensation Committee operates pursuant to its charter and may delegate its authority or responsibility to one or more subcommittees.

The Compensation Committee also reviews and makes recommendations regarding the compensation paid to our Board of Directors, including fees paid for meeting attendance and equity-based awards. More information about the compensation of our Directors is set forth under the heading Director Compensation under the heading, Executive Compensation . The Compensation Committee annually conducts a performance evaluation of its operation and function and recommends any proposed changes to our Board of Directors for approval.

In addition, the Compensation Committee is responsible for reviewing and discussing with management the Compensation Discussion and Analysis that the Securities and Exchange Commission's rules require be included in our annual proxy statement, preparing the Compensation Committee's report that the Securities and Exchange Commission's rules require be included in our annual proxy statement, and performing such other tasks that are consistent with its charter. The Compensation Committee's report relating to fiscal year 2014 appears under the heading Compensation Committee Report.

The Compensation Committee has for several years recognized the importance of using an independent consultant that provides services solely to the Committee and not to management or to our company. In fiscal year 2013, the Compensation Committee engaged the Hay Group, a nationally recognized compensation consulting firm, as its independent compensation consultant. While the Compensation Committee did not engage a compensation consultant in fiscal year 2014, the Compensation Committee did implement modifications to its incentive award programs in fiscal year 2014 based on the analysis and consultation with the Hay Group in fiscal year 2013. For more information on the role of the Compensation Committee in determining executive compensation, including its use of an independent consultant, see Compensation Discussion and Analysis under the heading Executive Compensation.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee evaluates, interviews and nominates candidates for election to our Board of Directors and is responsible for oversight of our corporate governance practices.

When identifying Director nominees, the Nominating and Corporate Governance Committee solicits suggestions from incumbent Directors, management and stockholders. In identifying and evaluating nominees, the Nominating and Corporate Governance Committee seeks candidates possessing the highest standards of personal and professional ethics and integrity; practical wisdom, independent thinking, maturity and the ability to exercise sound business judgment; skills, experience and demonstrated abilities that help meet the current needs of our Board of Directors; and a firm commitment to the interests of our stockholders. Although the Nominating and Corporate Governance Committee does not maintain a specific written diversity policy, it recognizes the value of diversity and seeks diverse candidates when possible and appropriate and considers diversity in its review of candidates. The Nominating and Corporate Governance Committee believes that diversity includes not only gender and ethnicity, but the various perspectives that come from having differing geographic and cultural backgrounds, viewpoints and life experiences.

In addition, the Nominating and Corporate Governance Committee takes into consideration such other factors as it deems appropriate. These factors may include knowledge of our industry and markets, experience with businesses and other organizations of comparable size, the interplay of the nominee's experience with the experience of other members of our Board of Directors, and the extent to which the candidate would be a desirable addition to our Board of Directors and any of its committees. The Nominating and Corporate Governance Committee may consider, among other factors, experience or expertise in our industry, global business, science and technology, competitive positioning, corporate governance, risk management, finance or economics, and public affairs.

Stockholders of record entitled to vote in the election of Directors at any annual meeting may recommend candidates for consideration by the Nominating and Corporate Governance Committee as potential nominees by submitting written recommendations to our Corporate Secretary at the following address: Graham Corporation, Attention: Corporate Secretary, 20 Florence Avenue, Batavia, New York 14020. Stockholder recommendations must contain: (1) each candidate's name, age, business and residence addresses; (2) the candidate's principal occupation or employment and (3) a description of the candidate's qualifications to be a Director. In addition, any stockholder submitting a recommendation must provide his or her own name and address as they appear on our books and records, as well as the class and number of our shares owned of record and the dates he or she acquired such shares. The Nominating and Corporate Governance Committee will evaluate Director candidates proposed by stockholders using the same criteria, and in the same manner, as described above for other nominees.

The Board of Director's Role in Risk Oversight

Our Board of Directors is responsible for overseeing our risk profile and management's processes for managing risk. This oversight is conducted primarily through our Board committees. Our Audit Committee focuses on financial risks, including those that could arise from our accounting and financial reporting processes. Additionally, our Audit Committee monitors and directs the formal risk management projects implemented by management. Our Nominating and Corporate Governance Committee focuses on the management of risks associated with Board organization, membership and structure, corporate governance, and the recruitment and retention of talented Board members. Our Compensation Committee focuses on the management of risks that could arise from our compensation policies and programs and, in particular, our executive compensation programs and policies.

As part of its risk oversight responsibilities, our Board of Directors and its committees review the policies and processes that senior management uses to manage our risk exposure. In doing so, our Board and its committees review our overall risk function and senior management's establishment of appropriate systems and processes for managing areas of material risk to our company, including, but not limited to, operational, financial, legal, regulatory, strategic and information technology risks.

Communications from Stockholders and other Interested Parties

Stockholders and other interested parties who wish to contact the Board of Directors or an individual Director, including the independent Chairman of our Board or independent Directors as a group, should send their communications in care of the Corporate Secretary, Graham Corporation, 20 Florence Avenue, Batavia, New York 14020. The Corporate Secretary will forward all such communications as directed.

EXECUTIVE OFFICERS

As of March 31, 2014, we were served by the following executive officers, each of whom was appointed by our Board of Directors:

James R. Lines, age 53, became our President and Chief Executive Officer in January 2008. Further information about Mr. Lines is set forth under Proposal One: Election of Directors.

Jeffrey F. Glajch, age 51, became our Vice President - Finance & Administration and Chief Financial Officer in March 2009. Mr. Glajch also serves as our Corporate Secretary. From October 2006 until February 2009, he served as the Chief Financial Officer of Nukote International, a privately held global re-manufacturer of printing and imaging products. Previously, and between June 2000 and May 2006, Mr. Glajch was the Chief Financial Officer of Fisher Scientific Canada, a global healthcare and laboratory equipment company. Mr. Glajch has also previously worked at Walt Disney World Company, Great Lakes Chemical Corporation and Air Products and Chemicals, Inc.

Alan E. Smith, age 47, was appointed our Vice President of Operations in July 2007. Previously, from 2005 until July 2007, Mr. Smith served as Director of Operations for Lydall, Inc., a designer and manufacturer of specialty engineering products. Prior to that, he had been employed by us for fourteen years, progressing from Project Engineer to Engineering Manager.

Jennifer R. Condame, age 49, became our Chief Accounting Officer in July 2008. She also serves as our Controller, a position she has held since 1994. Previously, and from 1992 to 1994, she was our Manager of Accounting and Financial Reporting. Prior to joining us in 1992, Ms. Condame was employed as an Audit Manager by Price Waterhouse, a predecessor to PricewaterhouseCoopers LLP.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis, which we refer to as the CD&A, provides information about the compensation programs for our executive officers named in the Fiscal Year 2014 Summary Compensation Table and referred to in this CD&A and in the subsequent tables as our named executive officers. These named executive officers are:

James R. Lines, our President and Chief Executive Officer;

Jeffrey F. Glajch, our Vice President-Finance & Administration and Chief Financial Officer and Corporate Secretary;

Alan E. Smith, our Vice President of Operations; and

Jennifer R. Condame, our Controller and Chief Accounting Officer.

This CD&A includes the philosophy and objectives of the Compensation Committee of our Board of Directors, descriptions of each of the elements of our executive compensation programs and the basis for the compensation decisions we made during fiscal year 2014.

Executive Summary

Fiscal 2014 Results

The Compensation Committee's philosophy focuses on aligning the interests of our named executive officers with those of our stockholders by rewarding performance that enhances the objective of increasing both current and long-term stockholder value. Our executive compensation programs are designed to provide a strong link between the amounts earned by our named executive officers and company and individual performance.

Our named executive officers continued to implement our strategic plan to diversify, expand and reduce the volatility of our earnings by increasing productivity, improving processes and growing our market share in our existing business and delivered the following successes during fiscal year 2014:

We had record new orders of \$128.2 million;

We ended the fiscal year with a record backlog of \$112.1 million, of which \$40 million derives from markets that we were not serving five years ago;

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We achieved strong sales of \$102.2 million that generated \$10.1 million of net income (\$1.00 diluted earnings per share) and increased our cash and investments by \$9.5 million;

We successfully expanded our engineering execution capacity and reduced engineering lead time to meet a growing workload;

We made meaningful progress on our plant expansion project;

We ended the fiscal year with an exceptionally strong balance sheet that was free of bank debt, providing us substantial financial flexibility, with cash and investment holdings of \$61.1 million; and

Total shareholder return across fiscal year 2014 was 29.4% and was 79% across the past four years.

The Compensation Committee believes that in fiscal year 2014 our named executive officers performed well in furtherance of our strategic plan. In fiscal year 2014, our named executive officers realized the following compensation based on our fiscal year 2014 financial performance and their individual performance:

As described more fully under the heading Annual Cash Incentive Compensation in this CD&A, for fiscal year 2014, the Compensation Committee set aggressive targets for two key financial metrics: net income and bookings. Our performance exceeded the t