

GRAHAM CORP
Form SC 13G/A
February 12, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

Amendment No. 2*

Graham Corporation

(Name of Issuer)

Common Stock

(Title of Class of Securities)

384556106

(CUSIP Number)

December 31, 2015

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 384556106

13G

1. NAME OF REPORTING PERSON (S.S. or I.R.S. Identification No. of Above Person)

Ivy Investment Management Company Tax ID No. 03-0481447

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP:

- (a)
- (b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION: Delaware
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

- 5. SOLE VOTING POWER** 0 (See Item 4)
- 6. SHARED VOTING POWER** 0
- 7. SOLE DISPOSITIVE POWER** 0 (See Item 4)
- 8. SHARED DISPOSITIVE POWER** 0

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:
0 (See Item 4)

10. CHECK IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES:

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9: 0.0

12. TYPE OF PERSON REPORTING: IA

CUSIP No. 384556106

13G

1. NAME OF REPORTING PERSON (S.S. or I.R.S. Identification No. of Above Person)

Waddell & Reed Investment Management Company Tax ID No. 48-1106973

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP:

- (a)
- (b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION: Kansas

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

- 5. **SOLE VOTING POWER** 0 (See Item 4)
- 6. **SHARED VOTING POWER** 0
- 7. **SOLE DISPOSITIVE POWER** 0 (See Item 4)
- 8. **SHARED DISPOSITIVE POWER** 0

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

0 (See Item 4)

10. CHECK IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES:

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9: 0.0

12. TYPE OF PERSON REPORTING: IA

CUSIP No. 384556106

13G

1. NAME OF REPORTING PERSON (S.S. or I.R.S. Identification No. of Above Person)

Waddell & Reed, Inc. Tax ID No. 43-1235675

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP:

- (a)
- (b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION: Delaware
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

- 5. **SOLE VOTING POWER** 0 (See Item 4)
- 6. **SHARED VOTING POWER** 0
- 7. **SOLE DISPOSITIVE POWER** 0 (See Item 4)
- 8. **SHARED DISPOSITIVE POWER** 0

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:
0 (See Item 4)

10. CHECK IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES:

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9: 0.0

12. TYPE OF PERSON REPORTING: BD

CUSIP No. 384556106

13G

1. NAME OF REPORTING PERSON (S.S. or I.R.S. Identification No. of Above Person)

Waddell & Reed Financial Services, Inc. Tax ID No. 43-1414157

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP:

(a)

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION: Missouri

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5. SOLE VOTING POWER 0 (See Item 4)

6. SHARED VOTING POWER 0

7. SOLE DISPOSITIVE POWER 0 (See Item 4)

8. SHARED DISPOSITIVE POWER 0

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

0 (See Item 4)

10. CHECK IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES:

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9: 0.0

12. TYPE OF PERSON REPORTING: HC

CUSIP No. 384556106

13G

1. NAME OF REPORTING PERSON (S.S. or I.R.S. Identification No. of Above Person)

Waddell & Reed Financial, Inc. Tax ID No. 51-0261715

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP:

- (a)
- (b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION: Delaware
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

- 5. **SOLE VOTING POWER** 0 (See Item 4)
- 6. **SHARED VOTING POWER** 0
- 7. **SOLE DISPOSITIVE POWER** 0 (See Item 4)
- 8. **SHARED DISPOSITIVE POWER** 0

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:
0 (See Item 4)

10. CHECK IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES:

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9: 0.0

12. TYPE OF PERSON REPORTING: HC

Item 1(a): Name of Issuer: Graham Corporation

Item 1(b): Address of Issuer's Principal Executive Offices:

20 Florence Avenue
Batavia, NY 14020

Item 2(a): Name of Person Filing:

- (i) Waddell & Reed Financial, Inc.
- (ii) Waddell & Reed Financial Services, Inc.
- (iii) Waddell & Reed, Inc.
- (iv) Waddell & Reed Investment Management Company
- (v) Ivy Investment Management Company

Item 2(b): Address of Principal Business Office:

- (i)-(v): 6300 Lamar Avenue
 Overland Park, KS 66202

Item 2(c): Citizenship:

- (i), (iii) and (v): Delaware
- (ii): Missouri
- (iv): Kansas

Item 2(d): Title of Class of Securities: Common Stock

Item 2(e): CUSIP Number: 384556106

Item 3: The reporting person is:

- (i) Waddell & Reed Financial, Inc., a parent holding company in accordance with Reg. 240.13d-1(b)(1)(ii)(G);
- (ii) Waddell & Reed Financial Services, Inc., a parent holding company in accordance with Reg. 240.13d-1(b)(1)(ii)(G);
- (iii) Waddell & Reed, Inc., a broker-dealer registered under section 15 of the Act (15 U.S.C. 78o);
and

Edgar Filing: GRAHAM CORP - Form SC 13G/A

- (iv) Waddell & Reed Investment Management Company, an investment advisor in accordance with Reg. 240.13d-1(b)(1)(ii)(E).
- (v) Ivy Investment Management Company, an investment advisor in accordance with Reg. 240.13d-1(b)(1)(ii)(E).

Item 4: Ownership

The securities reported on herein are beneficially owned by one or more open-end investment companies or other managed accounts which are advised or sub-advised by Ivy Investment Management Company (IICO), an investment advisory subsidiary of Waddell & Reed Financial, Inc. (WDR) or Waddell & Reed Investment Management Company (WRIMCO), an investment advisory subsidiary of Waddell & Reed, Inc. (WRI). WRI is a broker-dealer and underwriting subsidiary of Waddell & Reed Financial Services, Inc., a parent holding company (WRFSI). In turn, WRFSI is a subsidiary of WDR, a publicly traded company. The investment advisory contracts grant IICO and WRIMCO all investment and/or voting power over securities owned by such advisory clients. The investment sub-advisory contracts grant IICO and WRIMCO investment power over securities owned by such sub-advisory clients and, in most cases, voting power. Any investment restriction of a sub-advisory contract does not restrict investment discretion or power in a material manner. Therefore, IICO and/or WRIMCO may be deemed the beneficial owner of the securities covered by this statement under Rule 13d-3 of the Securities Exchange Act of 1934 (the 1934 Act).

IICO, WRIMCO, WRI, WRFSI and WDR are of the view that they are not acting as a group for purposes of Section 13(d) under the 1934 Act. Indirect beneficial ownership is attributed to the respective parent companies solely because of the parent companies control relationship to WRIMCO and IICO.

- (a) Amount beneficially owned: 0

- (b) Percent of class: 0.0

- (c) Number of shares as to which the person has:
 - (i) Sole voting power to vote or to direct the vote:
 - WDR: 0 (indirect)
 - WRFSI: 0 (indirect)
 - WRI: 0 (indirect)
 - WRIMCO: 0 (direct)
 - IICO: 0 (direct)

 - (ii) Shared power to vote or to direct the vote: 0

 - (iii) Sole power to dispose or to direct the disposition of:
 - WDR: 0 (indirect)
 - WRFSI: 0 (indirect)
 - WRI: 0 (indirect)
 - WRIMCO: 0 (direct)
 - IICO: 0 (direct)

(iv) Shared power to dispose or to direct the disposition of: 0

Item 5: Ownership of Five Percent or Less of a Class:

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than 5 percent of the class of securities, check the following: [X]

Item 6: Ownership of More than Five Percent on Behalf of Another Person:

The clients of IICO and WRIMCO, including investment companies registered under the Investment Company Act of 1940 and other managed accounts, have the right to receive dividends from, as well as the proceeds from the sale of, such securities.

Item 7: Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company:

See Attached Exhibit 2.

Item 8: Identification and Classification of Members of the Group:

Not Applicable.

Item 9: Notice of Dissolution of Group:

Not Applicable.

Item 10: Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 12, 2016

Waddell & Reed Financial, Inc.

By: /s/ J.J. Richie
Name: J.J. Richie
Title: Attorney-In-Fact

Waddell & Reed, Inc.

By: /s/ J.J. Richie
Name: J.J. Richie
Title: Attorney-In-Fact

Ivy Investment Management Company

By: /s/ J.J. Richie
Name: J.J. Richie
Title: Attorney-In-Fact

Waddell & Reed Financial Services, Inc.

By: /s/ J.J. Richie
Name: J.J. Richie
Title: Attorney-In-Fact

Waddell & Reed Investment Management Company

By: /s/ J.J. Richie
Name: J.J. Richie
Title: Attorney-In-Fact

EXHIBIT INDEX

Exhibit No.	Description
1	Joint Filing Agreement
2	Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company
3	Power of Attorney

†16,794,390\$ 16,792\$ 1,957,315\$ (1,977,719)\$ -\$ (3,612) Stock issued3,975,6625,090846,612--851,702Shares issued in
 exchange for debt391,85739229,008--29,400Issuance of common stock710,83371080,161--80,871Net loss and comprehensive loss for
 the year - - - (1,127,044) - (1,127,044) **Balance at June 30, 1996**21,872,74222,9842,913,096(3,104,763)-(168,683) Stock issued for
 options--912,838--912,838Stock issued for services5,067,9123,955690,234--694,189Shares issued in exchange for
 debt251,38225243,965--44,217Issuance of common stock10,257,93610,259335,132--345,391Grants issued--408,597--408,597Net loss and
 comprehensive loss for the year - - - (2,376,279) - (2,376,279) **Balance at June 30,**
199737,449,97237,4505,303,862(5,481,042)-(139,730) Stock issued for services4,396,4664,396922,180--926,576Stock issued for
 options--948,500--948,500Issuance of common stock21,795,00021,7961,176,755--1,198,551Unrealized foreign
 exchange----183,785183,785Stock options issued and outstanding--1,236,913--1,236,913Grants issued--669,906--669,906Net loss and
 comprehensive loss for the year - - - (4,570,441) - (4,570,441) **Balance at June 30, 1998** 63,641,438 \$ 63,642 \$10,258,116
 \$(10,051,483) \$183,785 \$454,060

See Notes to Consolidated Financial Statements

THE TIREX CORPORATION AND SUBSIDIARIES
(A Developmental Stage Company)

Consolidated Statements of Stockholders' Equity (Deficit)

	Common Stock		Additional	Deficit Accumulated During	Unrealized	Total
	Shares	Amount	Paid-in Capital	Developmental Stage	Foreign Exchange	
Balance at June 30, 1998	63,641,438	\$ 63,642	\$10,258,116	\$(10,051,483)	\$ 183,785	\$ 454,060
Stock issued for services	24,200,439	24,200	2,735,544	-	-	2,759,744
Stock issued for options	2,234,567	2,235	38,765	-	-	41,000
Shares issued in exchange for debt	3,787,947	3,788	340,164	-	-	343,952
Conversion of debentures	2,816,966	2,817	290,102	-	-	292,919
Issuance of common stock	677,966	678	49,322	-	-	50,000
Unrealized foreign exchange	-	-	-	-	(29,142)	(29,142)
Stock options issued and outstanding	-	-	385,600	-	-	385,600
Grants issued	-	-	1,057,742	-	-	1,057,742
Net loss and comprehensive loss for the year	-	-	-	(4,909,879)	-	(4,909,879)
Balance at June 30, 1999	97,359,353	97,360	15,155,355	(14,961,362)	154,643	445,996
Stock issued for services	28,873,210	28,873	2,217,758	-	-	2,246,631
Stock issued for options	5,327,486	5,327	381,600	-	-	386,927
Shares issued in exchange for debt	7,342,055	7,342	382,556	-	-	389,898
Conversion of debentures	12,010,073	12,010	815,796	-	-	827,806
Issuance of common stock	221,000	221	16,039	-	-	16,260
Unrealized foreign exchange	-	-	-	-	5,789	5,789
Grants issued	-	-	395,683	-	-	395,683
Net loss and comprehensive loss for the year	-	-	-	(5,548,829)	-	(5,548,829)
Balance at June 30, 2000	151,133,177	151,133	19,364,787	(20,510,191)	160,432	(833,839)
Stock issued for services	10,142,903	10,143	1,023,512	-	-	1,033,655
Stock issued for options	-	-	-	-	-	-
Shares issued in exchange for debt	14,236,399	14,236	1,891,602	-	-	1,905,838
Conversion of debentures	121,000	121	24,079	-	-	24,200
Issuance of common stock	732,929	733	39,427	-	-	40,160
Unrealized foreign exchange	-	-	-	-	(340,661)	(340,661)
Grants issued	-	-	249,294	-	-	249,294
Net loss and comprehensive loss for the year	-	-	-	(3,112,138)	-	(3,112,138)

Edgar Filing: GRAHAM CORP - Form SC 13G/A

Balance at June 30, 2001

176,366,408 \$ 176,366 \$22,592,701 \$(23,622,329) \$ (180,229) \$(1,033,491)

See Notes to Consolidated Financial Statements

THE TIREX CORPORATION AND SUBSIDIARIES
(A Developmental Stage Company)

Consolidated Statements of Stockholders' Equity (Deficit)

	Common Stock		Additional	Deficit Accumulated During	Unrealized Foreign	Total
	Shares	Amount	Paid-in Capital	Developmental Stage	Exchange	
Balance at June 30, 2001	176,366,408	\$ 176,366	\$ 22,592,701	\$(23,622,329)	\$ (180,229)	\$(1,033,491)
Stock issued for services	18,466,162	18,466	314,859	-	-	333,325
Stock issued for options	-	-	-	-	-	-
Shares issued in exchange for debt	24,075,502	24,076	1,649,442	-	-	1,673,518
Conversion of debentures	-	-	-	-	-	-
Issuance of common stock	5,849,487	5,850	61,897	-	-	67,747
Unrealized foreign exchange	-	-	-	-	(19,940)	(19,940)
Grants issued	-	-	-	-	-	-
Net loss and comprehensive loss for the year	-	-	-	(3,421,460)	-	(3,767,344)
Balance at June 30, 2002	224,757,559	\$ 224,758	\$24,618,899	\$ (27,043,789)	\$ (200,169)	\$ (2,746,185)
Stock issued for services	5,455,000	5,455	130,920	-	-	136,375
Stock issued for options	-	-	-	-	-	-
Shares issued in exchange for debt	15,400,000	15,400	441,183	-	-	456,583
Conversion of debentures	-	-	-	-	-	-
Issuance of common stock	4,283,333	4,283	31,217	-	-	35,500
Unrealized foreign exchange	-	-	-	-	(182,365)	(182,365)
Grants issued	-	-	-	-	-	-
Net loss and comprehensive loss for the year	-	-	-	(1,561,375)	-	(1,561,375)
Balance at June 30, 2003	249,895,892	\$ 249,896	\$25,222,219	\$ (28,605,164)	\$ (382,534)	\$ (3,515,583)
Stock issued for services	-	-	-	-	-	-
Stock issued for options	-	-	-	-	-	-
Shares issued in exchange for debt	-	-	-	-	-	-
Conversion of debentures	-	-	-	-	-	-
Issuance of common stock	-	-	-	-	-	-
Unrealized foreign exchange	-	-	-	-	(18,597)	(18,597)
Grants issued	-	-	-	-	-	-
Net loss and comprehensive loss for the year	-	-	-	(560,234)	-	(560,234)
Balance at June 30, 2004	249,895,892	\$ 249,896	\$25,222,219	\$ (29,165,398)	\$ (401,131)	\$ (4,094,414)

See Notes to Consolidated Financial Statements

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

	Twelve months ended June 30		Cumulative from March 26, 1993 to June 30, 2004
	2004	2003	
Cash flows from operating activities:			
Net loss	\$ (560,234)	\$ (1,561,375)	\$ (28,453,926)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	-	24,960	364,304
(Gain) loss on disposal and abandonment of assets	-	530,651	2,005,498
Stock issued in exchange for interest	-	-	169,142
Stock issued in exchange for services and expenses	-	43,250	10,574,972
Stock options issued in exchange for services	-	-	3,083,390
Unrealized (loss) gain on foreign exchange	(18,597)	(182,365)	(401,151)
Other non-cash items	282,188	-	282,188
Changes in assets and liabilities:			
(Increase) decrease in:			
Account receivable	-	33,213	-
Inventory	-	(8,158)	(73,323)
Sales tax receivable	-	22,053	(36)
Research and experimental development tax credits receivable	-	246,970	-
Other assets	-	242,956	(10,120)
(Decrease) increase in :			
Accounts payables and accrued liabilities	121,643	273,586	2,017,744
Accrued salaries	175,000	33,080	498,152
Due to stockholders	-	-	5,000
Net cash used in operating activities	-	(301,179)	(9,938,166)
Cash flow from investing activities:			
Increase in notes receivable	-	(2,415)	(259,358)
Reduction in notes receivable	-	-	237,652
Investment	-	-	(89,500)
Equipment	-	-	(321,567)
Equipment assembly costs	-	-	(1,999,801)
Organization cost	-	-	6,700
Reduction in security deposit	-	-	(1,542)

Edgar Filing: GRAHAM CORP - Form SC 13G/A

Net cash used in investing activities	-	(2,415)	(2,427,416)
Cash flow from financing activities:			
Loans from related parties		133,600	4,354,835
Deferred financing costs	-	-	180,557
Proceeds from deposits	-	-	143,500
Payments on notes payable	-	-	(409,939)
Proceeds from convertible notes	-	-	754,999
Proceeds from notes payable	-	-	409,939
Payments on lease obligations	-	-	(86,380)
Proceeds from issuance of convertible subordinated debentures	-	-	1,035,000
Proceeds from loan payable	-	-	591,619
Payments on loan payable	-	(52,628)	(488,439)
Proceeds from issuance of stock options	-	-	20,000
Proceeds from grants	-	187,122	3,628,277
Proceeds from issuance of common stock	-	4,283	85,582
Proceeds from additional paid-in capital	-	31,217	2,145,775
Net cash provided by financing activities	-	303,594	12,365,325
Net (decrease) increase in cash and cash equivalents	-	-	(257)
Cash and cash equivalents - beginning of period	-	-	257
Cash and cash equivalents - end of period	\$	-	\$

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

	Twelve months ended		Cumulative from
	June 30		March 26, 1993 to
	2004	2003	June 30, 2004

Supplemental Disclosure of Non-Cash

Activities:

During the year ended June 30, 2003, the Company recorded an increase in common stock and in additional paid-in capital of \$456,583 which was in recognition of the payment of debt. During the year

ended June 30, 2004, the Company did not issue common stock in recognition of the payment of debt.

During the year ended June 30, 2003, stock was issued in exchange for services performed and expenses in the amount of \$136,375. During the year ended June 30, 2004, the Company did not issue common stock in exchange for services performed and expenses.

Supplemental Disclosure of Cash Flow

Information:

Interest paid	\$	-	\$	21,024	\$	232,748
Income taxes paid	\$	-	\$	-	\$	-

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

Note 1 SUMMARY OF ACCOUNTING POLICIES

CHANGE OF NAME

On July 11, 1997, the Company changed its name from Tirex America, Inc. to The Tirex Corporation.

NATURE OF BUSINESS

The Tirex Corporation (the "Company") was incorporated under the laws of the State of Delaware on August 19, 1987. The Company was originally organized to provide comprehensive health care services, but due to its inability to raise sufficient capital, was unable to implement its business plan. The Company became inactive in November 1990.

REORGANIZATION

On March 26, 1993, the Company entered into an acquisition agreement (the "Acquisition Agreement") with Louis V. Muro, currently an officer and a director of the Company, and former Officers and Directors of the Company (collectively the "Seller"), for the purchase of certain technology owned and developed by the Seller (the "Technology") to be used to design, develop and construct a prototype machine and thereafter a production quality machine for the cryogenic disintegration of used tires. The Technology was conceptually developed by the Seller prior to their affiliation or association with the Company.

DEVELOPMENTAL STAGE

At June 30, 2004, the Company is still in the development stage. The operations consist mainly of raising capital, obtaining financing, developing equipment, obtaining customers and supplies, installing and testing equipment and administrative activities.

BASIS OF CONSOLIDATION

The consolidated financial statements include the consolidated accounts of The Tirex Corporation, Tirex Canada R&D Inc., The Tirex Corporation Canada Inc., Tirex Advanced Products Quebec Inc. and Tirex Acquisition Corp. Tirex Canada R&D Inc. is held 51% by certain shareholders of the Company. The shares owned by these shareholders are held in escrow by the Company's attorney and are restricted from transfer thereby allowing for a full consolidation of this Company. The Tirex Corporation Canada Inc., Tirex Advanced Products Quebec Inc. and Tirex Acquisition Corp. are 100% held by the Company. All subsidiary companies except Tirex Canada R&D Inc. are dormant. All inter-company transactions and accounts have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less, were deemed to be cash equivalents.

INVENTORY

The Company values inventory, which consists of finished goods and equipment held for resale, at the lower of cost

(first-in, first-out method) or market.

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated depreciation and provisions for write-downs. Depreciation is computed using the straight-line method over the estimated useful lives of five years. No depreciation is recorded for equipment written down to salvage value.

Repairs and maintenance costs are expensed as incurred while additions and betterments are capitalized. The cost and related accumulated depreciation of assets sold or retired are eliminated from the accounts and any gains or losses are reflected in earnings.

INVESTMENT

An investment made by the Company, in which the Company owns less than a 20% interest, is stated at cost value. The cost value approximates the fair market value of the investment.

ESTIMATES

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

ADOPTION OF STATEMENT OF ACCOUNTING STANDARD NO. 123

In 1997, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation. SFAS 123 encourages, but does not require, companies to record stock-based Compensation and other costs paid by the issuance of stock at fair value. The Company has chosen to account for stock-based compensation, stock issued for non-employee services and stock issued to obtain assets or in exchange for liabilities using the fair value method prescribed in SFAS 123. 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 the grant over the amount an employee must pay to acquire the stock.

ADOPTION OF STATEMENT OF ACCOUNTING STANDARD NO. 128

In 1997, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings per Share. SFAS 128 changes the standards for computing and presenting earnings per share (EPS) and supersedes Accounting Principles Board Opinion No. 15, Earnings per Share. SFAS 128 replaces the presentation of Primary EPS with a presentation of Basic EPS and replaces the presentation of Fully Diluted EPS with a presentation of Diluted EPS. It also requires dual presentation of Basic and Diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the Basic EPS computation to the numerator and denominator of the Diluted EPS computation. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. SFAS 128 also requires restatement of all prior-period EPS data presented.

THE TIREX CORPORATION

A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

As it relates to the Company, the principal differences between the provisions of SFAS 128 and previous authoritative pronouncements are the exclusion of common stock equivalents in the determination of Basic Earnings Per Share and the market price at which common stock equivalents are calculated in the Determination of Diluted Earnings Per Share.

A Basic Earnings per Share is computed using the weighted average number of shares of common stock outstanding for the period. Diluted Earnings per Share is computed using the weighted average number of shares of common stock and dilutive common equivalent shares related to stock options and warrants outstanding during the period.

The adoption of SFAS 128 had no effect on previously reported loss per share amounts for the year ended June 30, 1997. For the years ended June 30, 2004 and June 30, 2003, Primary Loss per Share was the same as Basic Loss per Share and Fully Diluted Loss per Share was the same as Diluted Loss per Share. A net loss was reported in 2004 and 2003, and accordingly, in those years, the denominator for the Basic EPS calculation was equal to the weighted average of outstanding shares with no consideration for outstanding options and warrants to purchase shares of the Company's common stock because to do so would have been anti-dilutive.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Company's financial instruments, which principally include cash, note receivable, accounts payable and accrued expenses, approximates fair value due to the relatively short maturity of such instruments.

The fair values of the Company's debt instruments are based on the amount of future cash flows associated with each instrument discounted using the Company's borrowing rate. At June 30, 2004 and June 30, 2003, respectively, the carrying value of all financial instruments was not materially different from fair value.

INCOME TAXES

The Company has net operating loss carryovers of approximately \$29.5 million as of June 30, 2004, expiring through 2024. However, based upon present Internal Revenue Service regulations governing the utilization of net operating loss carryovers where the corporation has issued substantial additional stock and there has been a change in control as defined by the Internal Revenue Service regulations, a substantial portion of this loss carryover may not be available to the Company.

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes, effective July 1993. SFAS No. 109 requires the establishment of a deferred tax asset for all deductible temporary differences and operating loss carryforwards. Because of the uncertainties discussed in Note 2, however, any deferred tax asset established for utilization of the Company's tax loss carryforwards would correspondingly require a valuation allowance of the same amount pursuant to SFAS No. 109. Accordingly, no deferred tax asset is reflected in these financial statements.

The Company does not currently have research and experimental development tax credits receivable from the Canadian Federal government and the Quebec Provincial government as at June 30, 2004.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment are translated to U.S. dollars at exchange rates in effect at the balance sheet date for monetary items and historical rates of exchange for non-monetary items with the resulting translation adjustment recorded directly to a separate component of shareholders' equity. Income and expense accounts

THE TIREX CORPORATION

A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

are translated at average exchange rates during the year. Currency transaction gains or losses are recognized in current operations.

REVENUE RECOGNITION

Revenue from the sale of TCS Systems will be recognized when the installed product is accepted by the Customer. All other revenue from other products will be recognized when shipped to the customer.

Note 2 GOING CONCERN

As reported in the Company's financial statements for the years ended June 30, 2004 and June 30, 2003, the Company incurred a net loss of \$560,234 and \$1,561,375, respectively.

In March 1993, the Company had begun its developmental stage with a new business plan. As of March 2000, the Company had developed a production quality prototype of its patented system for the disintegration of scrap tires, but nonetheless continued its research and development efforts to improve the machine's performance and to permit greater flexibility in design for specific customer applications. Due to the Company's lack of working capital during the year ended June 30, 2002, all rubber crumb production was suspended and research and development efforts have been hampered. Pending receipt of funding from operations, government assistance, loans or equity financing, crumb rubber production and previous research and development efforts will not be resumed. While the Company has engaged the process of marketing the TCS System to numerous potential clients since the beginning of the fiscal year commencing July 1, 2000, as of June 30, 2004, the Company had not yet consummated an unconditional purchase order for a TCS System.

The Company is dependent on the success of its marketing of its TCS Systems, and/or raising funds through equity sales, bank or investor loans, governmental grants or a combination of these, to continue as a going concern. The Company's uncertainty as to its ability to generate revenue and its ability to raise sufficient capital, raise substantial doubt about the entity's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Note 3 PROPERTY AND EQUIPMENT

As at June 30, 2004, plant and equipment consisted of the following:

Furniture, fixtures and equipment	\$149,516
Manufacturing equipment	62,400
Subtotal	211,916
Less: Accumulated depreciation and amortization	161,916
Total	\$ 50,000

Depreciation and amortization expense charged to operations for the years ended June 30, 2004 and June 30, 2003 was zero and \$24,960, respectively.

THE TIREX CORPORATION

A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Note 4 GOVERNMENT LOANS

Canada Economic Development

Loans payable under the Program for the Development of Quebec SMEs based on 50% of approved eligible costs for the preparation of market development studies in certain regions. Loans are unsecured and non-interest bearing. (If the Company defaults, the loans become interest bearing at the rate of 8%).

Loan repayable over five years commencing June 30, 2000 and ending June 30, 2004	\$ 34,300
Loan repayable over five years commencing June 30, 2001 and ending June 30, 2005	43,791
	78,091
Less: Current portion	78,091
Long-term portion	\$ NIL

Principal repayments are as follows:

June 30	Amount
2005	\$78,091

Note 5 CAPITAL LEASE OBLIGATIONS

The Company leases certain manufacturing equipment under agreements classified as capital leases. The cost and the accumulated amortization for such equipment as of June 30, 2004 and June 30, 2003 was \$62,400 and \$62,400, respectively. The equipment under capital leases has been included in property and equipment on the balance sheet. The Company is in arrears on payment of these leases but default has not been declared. The lease expired on June 30, 2004. The leased equipment is not part of the Company's TCS System prototype.

Note 6 CONVERTIBLE SUBORDINATED DEBENTURES

The Company issued Type B Convertible Subordinated Debentures between December 1997 and February 1998. These debentures bore interest at 10% and were convertible into common shares of the Company at \$0.20 per share. The conversion privilege on the remaining \$55,000 of these debentures expired and the amount is now included on the Balance Sheet in Long term deposits and notes.

Note 7 CONVERTIBLE NOTES

The Convertible Notes appearing on the balance sheet consisted of an investment arrangement with a group of institutional investors involving a multi-stage financing under which the Company had access to, at its option, up to \$5,000,000. A first tranche of \$750,000 was completed but no further draw downs were made. The terms of the convertible note were:

Edgar Filing: GRAHAM CORP - Form SC 13G/A

Balance at June 30, 2004	\$586,356
Interest rate	8%, payable quarterly, commencing June 30, 2001
Issue date	February 26, 2001
Maturity date	February 26, 2003

THE TIREX CORPORATION

A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Redemption rights	If not converted, the holder may require the Company to redeem at any time after maturity for the principal amount plus interest.
Conversion ratio	Lower of (i) - 80% of the average of the three lowest closing bid prices for the thirty trading days prior to the issue date, which equals \$.073, or (ii) - 80% of the average of the three lowest closing bid prices for the sixty trading days prior to the conversion date.
Common stock warrants	The Convertible Notes carried an option to purchase Common stock warrants at the rate of one Warrant for each \$1.25 of purchase price. The exercise price on the first tranche of \$ 750,000 is \$ 077 per share.

Certain Directors and Officers of the Company have pledged approximately 12,000,000 of their personal shares of Common Stock of the Company as security for the Convertible Notes until such time as the Company files with the Securities and Exchange Commission a Registration Statement on Form SB-2, to register common stock and warrants issuable upon the conversion of the notes, no later than 150 days after the issue date of the Convertible Notes. This deadline was not met and, as such, the investors served a notice of default to the Company on July 19, 2001. The Registration Statement was never declared effective by the Securities and Exchange Commission as of this date, and until such occurs, the Convertible Notes cannot be converted to Common Stock nor may the Common Stock warrants be exercised. On April 24, 2002 the Company entered into a Settlement Agreement with the Note holders. In the event of a default under the Settlement Agreement, the term of the Convertible Notes would become effective once again. The Company defaulted on the terms of the Settlement Agreement.

Note 8 CONVERTIBLE NOTE

A convertible note, under a private arrangement, consists of the following:

Balance at June 30, 2004	\$ 185,556
Interest rate	8%
Issue date	July 19 th , 2000
Maturity date	January 19 th , 2002
Redemption rights	If not converted, the holder may require the Company to redeem at any time after maturity for the principal amount plus interest.
Conversion ratio	Not convertible prior to July 19 th , 2001, at 20%

Edgar Filing: GRAHAM CORP - Form SC 13G/A

discount to market between July 19th, 2001 and January 19th, 2002 or at 25% to market if held to maturity, to a maximum of not more than 2,500,000 shares.

THE TIREX CORPORATION

A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Note 9 RELATED PARTY TRANSACTIONS

Convertible loans include amounts primarily due to Directors, Officers and employees. Historically, such amounts due have been repaid through the issuance of stock. At June 30, 2004 and June 30, 2003, the balances owing to Directors and Officers was \$1,297,462 and \$919,462, respectively. These amounts are without interest or terms of repayment.

Long-term deposits and notes included an amount of \$118,500 at June 30, 2004, which is payable to Ocean Tire Recycling & Processing Co., Inc., a company owned by a Director of the Company.

Note 10 COMMON STOCK

During the year ended June 30, 2003, the Company issued common stock in exchange for services performed totaling \$136,375. The amount for the year ended June 30, 2003 did not include any payments to Officers of the Company in exchange for salary and expenses. During the year ended June 30, 2004, the Company did not issue any common stock in exchange for services performed. The dollar amounts assigned to such transactions have been recorded at the fair value of the services received.

During the year ended June 30, 2004, an Officer of the Company exercised stock options pursuant to a services agreement. The exercise of these stock options entitled the Officer to 1,500,000 common shares of the Company on a cash-less basis. The Company does not have sufficient authorized and unissued shares available at June 30, 2004 for issuance of this stock and as such, the amount attributable to these shares has been recorded as part of the balances owing to Directors and Officers included in Convertible loans.

On January 31, 2001, the Company's stockholders approved an amendment to the Articles of Incorporation of the Company to increase the number of authorized shares of common stock, par value \$0.001, from 165,000,000 shares to 250,000,000 shares.

As at June 30, 2004, the Company had 249,895,892 Common shares issued and outstanding, versus its authorization of 250,000,000 shares.

Note 11 CONVERTIBLE DEBT

In the event that holders of convertible rights of option exercise such rights of conversion, the Company does not have sufficient number of authorized shares conversion stock to fulfill such obligations and a shareholder meeting would be required to approve the additional authorized number of shares. There is no assurance that the shareholders would approve the increase to the number of authorized shares of stock to meet the conversion obligations under the various conversion agreements or options.

Note 12 GOVERNMENT ASSISTANCE

The Company is eligible for and has made claims for tax credits related to scientific research and experimental

development expenditures made in Canada. These amounts, under Canadian Federal and Provincial tax law in conjunction with its annual tax return filings, need not be offset against taxes otherwise payable to become refundable to the Company at the end of its fiscal year. As such, during the year ended June 30, 2003, the Company received approximately \$246,970, which was recorded as an increase in stockholders' equity paid-in capital. During the year ended June 30, 2004, the Company did not make any additional claims for tax credits as it was not eligible to do so and, as such, the Company did not record any additional tax credits receivable. The previous receivable balance in respect of tax credits from these governments went from \$246,970 as of June 30, 2002 to zero as of June 30, 2003 and remained as such as of June 30, 2004.

THE TIREX CORPORATION

A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Note 13 COMMITMENTS

Rental expense for the years ended June 30, 2004 and June 30, 2003 amounted to zero and \$124,442, respectively.

At June 30, 2004, the Company was in arrears of rent, including interest and related charges, in the approximate amount of \$560,000. A settlement agreement with the former landlord is in place under the terms of which the Company would pay to the former landlord the sum of \$140,000 from the proceeds to the Company of revenues from each of the first four sales of TCS Systems.

Note 14 LITIGATION

An action was instituted by Plaintiffs, an individual and a corporation, in a Canadian court alleging a breach of contract and claims damages of approximately \$508,600 representing expenses and an additional approximate amount of \$1,874,000 in loss of profits. The current action follows two similar actions taken in United States courts, the first of which was withdrawn and the second of which was dismissed based on forum non convenience and other considerations. A detailed answer has been filed by the Company denying all liability, stating further that Plaintiffs failed to comply with their obligations. Counsel for the Company believes that the Company has meritorious defenses to all of the Plaintiff's claims. The action is still pending.

A Plaintiff instituted an action, a corporation, in August 2001 in a Canadian court claiming approximately \$63,000 is due and owing for the manufacture and delivery of tire disintegrators. The Company has prepared its defense and a cross claim against the Plaintiff as the product delivered was defective and the Company believes it is entitled to a reimbursement of sums paid. The action is still pending.

An action was instituted by a Plaintiff, the Company's landlord, against the Company in June 2001 for arrears of rent in the amount of approximately \$113,900. Subsequent additions to arrearages with respect to rent and property taxes raised the amount due to approximately \$560,000. A settlement agreement with the former landlord is in place, under the terms of which the Company would pay to the former landlord the sum of \$140,000 from the proceeds to the Company of revenues from the first four sales of TCS Systems.

Note 15 ACCUMULATED OTHER COMPREHENSIVE INCOME

The deficit accumulated during the development stage included accumulated comprehensive other income totaling \$103,396.
