UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

# FORM 10-Q

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

**For the quarterly period ended March 31, 2012**

☐ **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: 1-06620**

# GRIFFON CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **DELAWARE** | **11-1893410** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **712 Fifth Ave, 18th Floor, New York, New York** | **10019** |
| (Address of principal executive offices) | (Zip Code) |

**(212) 957-5000**
(Registrant's telephone number, including area code)

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 has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| *(Do not check if a smaller reporting company)* | | | |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

**APPLICABLE ONLY TO CORPORATE ISSUERS**
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 61,820,463 shares of Common Stock as of April 30, 2012.

**Griffon Corporation and Subsidiaries**

**Contents**

**Part I – Financial Information**
**Item 1 – Financial Statements**

## GRIFFON CORPORATION AND SUBSIDIARIES
## CONDENSED CONSOLIDATED BALANCE SHEETS
## (in thousands)

| | (Unaudited) At March 31, 2012 | At September 30, 2011 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and equivalents | $ 164,879 | $ 243,029 |
| Accounts receivable, net of allowances of $5,598 and $6,072 | 289,834 | 267,471 |
| Contract costs and recognized income not yet billed, net of progress payments of $3,834 and $9,697 | 66,966 | 74,737 |
| Inventories, net | 285,542 | 263,809 |
| Prepaid and other current assets | 46,458 | 48,828 |
| Assets of discontinued operations | 1,312 | 1,381 |
| Total Current Assets | 854,991 | 899,255 |
| **PROPERTY, PLANT AND EQUIPMENT, net** | 361,456 | 350,050 |
| **GOODWILL** | 362,931 | 357,888 |
| **INTANGIBLE ASSETS, net** | 234,591 | 223,189 |
| **OTHER ASSETS** | 32,261 | 31,197 |
| **ASSETS OF DISCONTINUED OPERATIONS** | 3,050 | 3,675 |
| Total Assets | $ 1,849,280 | $ 1,865,254 |
| **CURRENT LIABILITIES** | | |
| Notes payable and current portion of long-term debt | $ 16,255 | $ 25,164 |
| Accounts payable | 174,989 | 186,290 |
| Accrued liabilities | 96,045 | 99,631 |
| Liabilities of discontinued operations | 3,334 | 3,794 |
| Total Current Liabilities | 290,623 | 314,879 |
| **LONG-TERM DEBT, net of debt discount of $18,183 and $19,693** | 689,011 | 688,247 |
| **OTHER LIABILITIES** | 201,493 | 204,434 |
| **LIABILITIES OF DISCONTINUED OPERATIONS** | 4,788 | 5,786 |
| Total Liabilities | 1,185,915 | 1,213,346 |
| **COMMITMENTS AND CONTINGENCIES - See Note 19** | | |
| **SHAREHOLDERS' EQUITY** | | |
| Total Shareholders' Equity | 663,365 | 651,908 |
| Total Liabilities and Shareholders' Equity | $ 1,849,280 | $ 1,865,254 |

## GRIFFON CORPORATION
## CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
## (Unaudited)

| | COMMON STOCK | | | | TREASURY SHARES | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (in thousands) | SHARES | PAR VALUE | CAPITAL IN EXCESS OF PAR VALUE | RETAINED EARNINGS | SHARES | COST | ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) | DEFERRED ESOP & OTHER COMPENSATION | Total |
| **Balance at 9/30/2011** | 76,184 | $ 19,046 | $ 471,928 | $ 424,153 | 14,434 | $ (231,699) | $ (7,724) | $ (23,796) | $ 651,908 |
| Net income | — | — | — | 4,513 | — | — | — | — | 4,513 |
| Dividend | — | — | — | (2,374) | — | — | — | — | (2,374) |
| Tax effect from exercise/vesting of equity awards, net | — | — | (219) | — | — | — | — | — | (219) |
| Amortization of deferred compensation | — | — | — | — | — | — | — | 887 | 887 |
| Common stock acquired | — | — | — | — | 283 | (2,350) | — | — | (2,350) |
| Restricted stock awards granted, net | 353 | 88 | (88) | — | — | — | — | — | — |
| ESOP allocation of common stock | — | — | 4 | — | — | — | — | — | 4 |
| Stock-based compensation | — | — | 4,908 | — | — | — | — | — | 4,908 |
| Translation of foreign financial statements | — | — | — | — | — | — | 5,048 | — | 5,048 |
| Pension OCI, net of tax | — | — | — | — | — | — | 1,040 | — | 1,040 |
| **Balance at 3/31/2012** | 76,537 | $ 19,134 | $ 476,533 | $ 426,292 | 14,717 | $ (234,049) | $ (1,636) | $ (22,909) | $ 663,365 |

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

## GRIFFON CORPORATION AND SUBSIDIARIES
## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
**(in thousands, except per share data)**
**(Unaudited)**

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Revenue | $ 482,431 | $ 476,129 | $ 933,462 | $ 890,531 |
| Cost of goods and services | 379,630 | 374,986 | 727,953 | 701,529 |
| Gross profit | 102,801 | 101,143 | 205,509 | 189,002 |
| Selling, general and administrative expenses | 86,152 | 84,363 | 169,219 | 164,808 |
| Restructuring and other related charges | — | 1,212 | 1,795 | 2,605 |
| Total operating expenses | 86,152 | 85,575 | 171,014 | 167,413 |
| Income from operations | 16,649 | 15,568 | 34,495 | 21,589 |
| Other income (expense) | | | | |
| Interest expense | (13,005) | (11,319) | (26,068) | (22,542) |
| Interest income | 86 | 97 | 149 | 166 |
| Loss from debt extinguishment, net | — | (26,164) | — | (26,164) |
| Other, net | 1,029 | 1,177 | 1,076 | 3,262 |
| Total other income (expense) | (11,890) | (36,209) | (24,843) | (45,278) |
| Income (loss) before taxes | 4,759 | (20,641) | 9,652 | (23,689) |
| Provision (benefit) for income taxes | 2,732 | (6,640) | 5,139 | (8,008) |
| Net income (loss) | $ 2,027 | $ (14,001) | $ 4,513 | $ (15,681) |
| Basic earnings (loss) per common share | $ 0.04 | $ (0.24) | $ 0.08 | $ (0.26) |
| Weighted-average shares outstanding | 56,037 | 59,280 | 56,031 | 59,277 |
| Diluted earnings (loss) per common share | $ 0.04 | $ (0.24) | $ 0.08 | $ (0.26) |
| Weighted-average shares outstanding | 57,380 | 59,280 | 57,228 | 59,277 |

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

**GRIFFON CORPORATION AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(in thousands)**
**(Unaudited)**

| | Six Months Ended March 31, | |
|---|---|---|
| | **2012** | **2011** |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | $ 4,513 | $ (15,681) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Depreciation and amortization | 31,836 | 29,378 |
| Fair value write-up of acquired inventory sold | — | 15,152 |
| Stock-based compensation | 4,908 | 4,647 |
| Provision for losses on accounts receivable | 611 | 709 |
| Amortization/write-off of deferred financing costs and debt discounts | 3,021 | 3,677 |
| Loss from debt extinguishment, net | — | 26,164 |
| Deferred income taxes | (807) | (2,539) |
| (Gain) loss on sale/disposal of assets | 29 | (380) |
| Change in assets and liabilities, net of assets and liabilities acquired: | | |
| Increase in accounts receivable and contract costs and recognized income not yet billed | (14,648) | (37,789) |
| Increase in inventories | (17,003) | (14,705) |
| Decrease in prepaid and other assets | 905 | 2,575 |
| Decrease in accounts payable, accrued liabilities and income taxes payable | (19,482) | (44,114) |
| Other changes, net | 3,909 | (2,793) |
| Net cash used in operating activities | (2,208) | (35,699) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of property, plant and equipment | (40,205) | (41,737) |
| Acquired business, net of cash acquired | (22,432) | (855) |
| Change in funds restricted for capital projects | — | 3,875 |
| Change in equipment lease deposits | — | (351) |
| Proceeds from sale of assets | 195 | 1,333 |
| Net cash used in investing activities | (62,442) | (37,735) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Dividend | (2,374) | — |
| Purchase of shares for treasury | (2,350) | — |
| Proceeds from issuance of long-term debt | 4,000 | 637,737 |
| Payments of long-term debt | (10,398) | (498,771) |
| Change in short-term borrowings | (3,331) | 2,022 |
| Financing costs | (4) | (21,239) |
| Purchase of ESOP shares | — | (8,310) |
| Exercise of stock options | — | 20 |
| Tax effect from exercise/vesting of equity awards, net | 834 | 23 |
| Other, net | (29) | (94) |
| Net cash provided by (used in) financing activities | (13,652) | 111,388 |
| CASH FLOWS FROM DISCONTINUED OPERATIONS: | | |
| Net cash used in operating activities | (764) | (561) |
| Net cash used in discontinued operations | (764) | (561) |
| Effect of exchange rate changes on cash and equivalents | 916 | 1,142 |
| NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS | (78,150) | 38,535 |
| CASH AND EQUIVALENTS AT BEGINNING OF PERIOD | 243,029 | 169,802 |
| CASH AND EQUIVALENTS AT END OF PERIOD | $ 164,879 | $ 208,337 |

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

***(Unless otherwise indicated, references to years or year-end refer to Griffon's fiscal period ending September 30)***

## NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

### About Griffon Corporation

Griffon Corporation (the "Company" or "Griffon"), is a diversified management and holding company that conducts business through wholly-owned subsidiaries. Griffon oversees the operations of its subsidiaries, allocates resources among them and manages their capital structures. Griffon provides direction and assistance to its subsidiaries in connection with acquisition and growth opportunities as well as in connection with divestitures. In order to further diversify, Griffon also seeks out, evaluates and, when appropriate, will acquire additional businesses that offer potentially attractive returns on capital.

Griffon currently conducts its operations through three segments:

- Home & Building Products ("HBP") consists of two companies, Ames True Temper, Inc ("ATT") and Clopay Building Products ("CBP"):
    - ATT is a global provider of non-powered landscaping products that make work easier for homeowners and professionals.
    - CBP is a leading manufacturer and marketer of residential, commercial and industrial garage doors to professional installing dealers and major home center retail chains.
- Telephonics Corporation ("Telephonics") designs, develops and manufactures high-technology integrated information, communication and sensor system solutions to military and commercial markets worldwide.
- Clopay Plastic Products Company ("Plastics") is an international leader in the development and production of embossed, laminated and printed specialty plastic films used in a variety of hygienic, health-care and industrial applications.

### Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements do not include all the information and footnotes required by U.S. GAAP for complete financial statements. As such, they should be read with reference to Griffon's Annual Report on Form 10-K for the year ended September 30, 2011, which provides a more complete explanation of Griffon's accounting policies, financial position, operating results, business properties and other matters. In the opinion of management, these financial statements reflect all adjustments considered necessary for a fair statement of interim results. Griffon's HBP operations are seasonal and the results of any interim period are not necessarily indicative of the results for the full year.

The condensed consolidated balance sheet information at September 30, 2011 was derived from the audited financial statements included in Griffon's Annual Report on Form 10-K for the year ended September 30, 2011.

The consolidated financial statements include the accounts of Griffon Corporation and all subsidiaries. Intercompany accounts and transactions are eliminated on consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. These estimates may be adjusted due to changes in economic, industry or customer financial conditions, as well as changes in technology or demand. Significant estimates include allowances for doubtful accounts receivable and returns, net realizable value of inventories, restructuring reserves, valuation of goodwill and intangible assets, percentage of completion method of accounting, pension assumptions, useful lives associated with depreciation and amortization of intangible and fixed assets, warranty reserves, sales incentive accruals, stock based compensation assumptions, income taxes and tax valuation reserves, environmental reserves, legal reserves, insurance reserves and the valuation of discontinued assets and liabilities, and the accompanying disclosures. These estimates are based on management's best knowledge of current events and actions Griffon may undertake in the future. Actual results may ultimately differ from these estimates.

Certain amounts in the prior year have been reclassified to conform to current year presentation.

**NOTE 2 – FAIR VALUE MEASUREMENTS**

The carrying values of cash and equivalents, accounts receivable, accounts and notes payable and revolving credit debt approximate fair value due to either the short-term nature of such instruments or the fact that the interest rate of the revolving credit debt is based upon current market rates.

The fair values of Griffon's 2018 senior notes, 2017 and 2023 4% convertible notes approximated $568,000, $100,000 and $532, respectively, on March 31, 2012. Fair values were based upon quoted market prices (level 1 inputs).

Insurance contracts with a value of $4,309 and trading securities with a value of $409 at March 31, 2012 are measured and recorded at fair value based upon quoted prices in active markets for identical assets (level 1 inputs).

*Items Measured at Fair Value on a Recurring Basis*

At March 31, 2012, Griffon had $1,750 of Australian dollar contracts at a weighted average rate of $0.96. The contracts, which protect Australia operations from currency fluctuations for U.S. dollar based purchases, do not qualify for hedge accounting. A fair value gain (loss) of $(4) and $41 was recorded in other assets and to other income for the outstanding contracts, based on similar contract values (level 2 inputs), for the three and six months ended March 31, 2012, respectively. The contracts expire in 30 to 90 days.

**NOTE 3 – ACQUISITION**

On October 17, 2011, Griffon acquired the pots and planters business of Southern Sales & Marketing Group, Inc. ("SSMG") for $22,432. The acquired business, which markets its products under the Southern Patio brand name ("Southern Patio"), is a leading designer, manufacturer and marketer of landscape accessories. Southern Patio, which was integrated with ATT, had revenue exceeding $40,000 in 2011.

The accounts of the acquired company, after adjustments to reflect fair market values assigned to assets purchased from SSMG, have been included in the consolidated financial statements from the date of acquisition; acquired inventory was not significant. Griffon is in the process of finalizing the adjustment to the purchase price, if any, primarily related to working capital; accordingly, management has used their best estimate in the initial purchase price allocation as of the date of these financial statements.

The following table summarizes the fair values of the assets acquired as of the date of the acquisition and the amounts assigned to goodwill and intangible asset classifications:

| | | |
|---|---|---|
| Inventory | $ | 3,673 |
| PP&E | | 416 |
| Goodwill | | 4,655 |
| Intangibles | | 13,688 |
| Total assets acquired | $ | 22,432 |

The amounts assigned to goodwill and major intangible asset classifications, all of which are tax deductible, for the Southern Patio acquisition are as follows:

| | | | Amortization Period (Years) |
|---|---|---|---|
| Goodwill | $ | 4,655 | N/A |
| Tradenames | | 2,611 | Indefinite |
| Customer relationships | | 11,077 | 25 |
| | $ | 18,343 | |

**NOTE 4 – INVENTORIES**

Inventories, stated at the lower of cost (first-in, first-out or average) or market, were comprised of the following:

| | | At March 31, 2012 | | At September 30, 2011 |
|---|---|---|---|---|
| Raw materials and supplies | $ | 75,715 | $ | 76,563 |
| Work in process | | 71,349 | | 66,585 |
| Finished goods | | 138,478 | | 120,661 |
| **Total** | $ | 285,542 | $ | 263,809 |

**NOTE 5 – PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment were comprised of the following:

| | | At March 31, 2012 | | At September 30, 2011 |
|---|---|---|---|---|
| Land, building and building improvements | $ | 126,930 | $ | 126,340 |
| Machinery and equipment | | 609,162 | | 571,414 |
| Leasehold improvements | | 32,715 | | 32,867 |
| | | 768,807 | | 730,621 |
| Accumulated depreciation and amortization | | (407,351) | | (380,571) |
| **Total** | $ | 361,456 | $ | 350,050 |

Depreciation and amortization expense for property, plant and equipment was $14,282 and $13,645 for the quarters ended March 31, 2012 and 2011, respectively, and $27,771 and $25,460 for the six months ended March 31, 2012 and 2011, respectively.

No event or indicator of impairment occurred during the three and six months ended March 31, 2012, which would require additional impairment testing of property, plant and equipment.

**NOTE 6 – GOODWILL AND OTHER INTANGIBLES**

The following table provides the changes in carrying value of goodwill by segment during the six months ended March 31, 2012.

| | At September 30, 2011 | Goodwill from 2012 acquisitions | Other adjustments including currency translations | At March 31, 2012 |
|---|---|---|---|---|
| Home & Building Products | $ 265,147 | $ 4,655 | $ — | $ 269,802 |
| Telephonics | 18,545 | — | — | 18,545 |
| Plastics | 74,196 | — | 388 | 74,584 |
| **Total** | $ 357,888 | $ 4,655 | $ 388 | $ 362,931 |

The following table provides the gross carrying value and accumulated amortization for each major class of intangible assets:

| | At March 31, 2012 | | | At September 30, 2011 | |
|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Average Life (Years) | Gross Carrying Amount | Accumulated Amortization |
| Customer relationships | $ 167,906 | $ 17,738 | 25 | $ 155,602 | $ 13,862 |
| Unpatented technology | 6,734 | 2,042 | 11 | 6,534 | 1,749 |
| **Total amortizable intangible assets** | 174,640 | 19,780 | | 162,136 | 15,611 |
| Trademarks | 79,731 | — | | 76,664 | — |
| **Total intangible assets** | $ 254,371 | $ 19,780 | | $ 238,800 | $ 15,611 |

Amortization expense for intangible assets subject to amortization was $2,038 and $1,908 for the quarters ended March 31, 2012 and 2011, respectively, and $4,065 and $3,918 for the six months ended March 31, 2012 and 2011, respectively. The amortizable intangibles acquired in the Southern Patio acquisition will increase amortization in 2012 and forward by approximately $440 per year.

During the quarter, there were changes in management at both Plastics and Telephonics. Management performed a qualitative assessment as to whether these changes affected these reporting units' carrying value and concluded that it was more likely than not that the fair value of the units continue to be greater than their respective carrying values.

**NOTE 7 – INCOME TAXES**

The tax rate for the quarter ended March 31, 2012 was a provision of 57.4 %, compared to a 32.2% benefit in the prior year quarter. The prior year benefit arose on the pretax loss for the quarter, which arose mainly in connection with the debt refinancing, completed in March 2011. The current year rate reflects the impact of permanent differences that are not deductible in determining taxable income, mainly limited deductibility of restricted stock, tax reserves and a change in earnings mix. There were no discrete period items in the current quarter.

The tax rate for the six months ended March 31, 2012 was a provision of 53.2%, compared to a 33.8% benefit in 2011. The prior year benefit arose on the pretax loss. The 2012 rate reflects the impact of permanent differences, mainly limited deductibility of restricted stock, tax reserves and a change in earnings mix; the 2011 rate benefited $241 primarily from the retroactively extended research tax credit signed into law on December 22, 2010. There were no discrete items in the current period.

## NOTE 8 – LONG-TERM DEBT

| | | At March 31, 2012 | | | | | At September 30, 2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Outstanding Balance | Original Issuer Discount | Balance Sheet | Capitalized Fees & Expenses | Coupon Interest Rate | Outstanding Balance | Original Issuer Discount | Balance Sheet | Capitalized Fees & Expenses | Coupon Interest Rate |
| Senior notes due 2018 | (a) | $ 550,000 | $ — | $ 550,000 | $ 10,249 | 7.125% | $ 550,000 | $ — | $ 550,000 | $ 11,337 | 7.125% |
| Revolver due 2016 | (a) | — | — | — | 2,574 | n/a | — | — | — | 2,937 | n/a |
| Convert. debt due 2017 | (b) | 100,000 | (18,183) | 81,817 | 2,253 | 4.000% | 100,000 | (19,693) | 80,307 | 2,474 | 4.000% |
| Real estate mortgages | (c) | 14,469 | — | 14,469 | 336 | n/a | 18,233 | — | 18,233 | 379 | n/a |
| ESOP Loans | (d) | 23,536 | — | 23,536 | 21 | n/a | 24,348 | — | 24,348 | 17 | n/a |
| Capital lease - real estate | (e) | 10,901 | — | 10,901 | 251 | 5.000% | 11,341 | — | 11,341 | 257 | 5.000% |
| Convert. debt due 2023 | (f) | 532 | — | 532 | — | 4.000% | 532 | — | 532 | — | 4.000% |
| Term loan due 2013 | (g) | 18,679 | — | 18,679 | 173 | n/a | 24,096 | — | 24,096 | 201 | n/a |
| Revolver due 2012 | (g) | — | — | — | — | n/a | — | — | — | 33 | n/a |
| Foreign line of credit | (g) | 588 | — | 588 | — | n/a | 3,780 | — | 3,780 | — | n/a |
| Foreign term loan | (g) | 4,000 | — | 4,000 | — | n/a | — | — | — | — | n/a |
| Other long term debt | (j) | 744 | — | 744 | — | | 774 | — | 774 | — | |
| Totals | | 723,449 | (18,183) | 705,266 | $ 15,857 | | 733,104 | (19,693) | 713,411 | $ 17,635 | |
| less: Current portion | | (16,255) | — | (16,255) | | | (25,164) | — | (25,164) | | |
| Long-term debt | | $ 707,194 | $ (18,183) | $ 689,011 | | | $ 707,940 | $ (19,693) | $ 688,247 | | |

| | | Three Months Ended March 31, 2012 | | | | | Three Months Ended March 31, 2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Effective Interest Rate | Cash Interest | Amort. Debt Discount | Amort. Deferred Cost & Other Fees | Total Interest Expense | Effective Interest Rate | Cash Interest | Amort. Debt Discount | Amort. Deferred Cost & Other Fees | Total Interest Expense |
| Senior notes due 2018 | (a) | 7.4% | $ 9,797 | $ — | $ 399 | $ 10,196 | 7.5% | $ 1,633 | $ — | $ 68 | $ 1,701 |
| Revolver due 2016 | (a) | n/a | — | — | 156 | 156 | n/a | — | — | 23 | 23 |
| Convert. debt due 2017 | (b) | 9.2% | 1,000 | 766 | 111 | 1,877 | 9.2% | 1,000 | 703 | 111 | 1,814 |
| Real estate mortgages | (c) | 5.6% | 144 | — | 22 | 166 | 5.6% | 213 | — | 19 | 232 |
| ESOP Loans | (d) | 3.0% | 176 | — | 1 | 177 | 2.6% | 24 | — | 17 | 41 |
| Capital lease - real estate | (e) | 5.3% | 138 | — | 6 | 144 | 5.2% | 147 | — | 6 | 153 |
| Convert. debt due 2023 | (f) | 4.0% | 5 | — | — | 5 | 4.0% | 5 | — | — | 5 |
| Term loan due 2013 | (g) | 6.0% | 245 | — | 55 | 300 | n/a | — | — | 70 | 70 |
| Revolver due 2012 | (g) | n/a | 40 | — | — | 40 | n/a | 10 | — | 39 | 49 |
| Foreign line of credit | (g) | 9.1% | 54 | — | — | 54 | 3.8% | 8 | — | — | 8 |
| Foreign term loan | (g) | 10.0% | 50 | — | — | 50 | n/a | — | — | — | — |
| Term loan due 2016 | (h) | n/a | — | — | — | — | 8.5% | 6,002 | 263 | 300 | 6,565 |
| Asset based lending | (h) | n/a | — | — | — | — | 4.9% | 586 | 26 | 157 | 769 |
| Revolver due 2013 | (i) | n/a | — | — | — | — | n/a | 49 | — | 31 | 80 |
| Other long term debt | (j) | | 356 | — | — | 356 | | 5 | — | — | 5 |
| Capitalized interest | | | (516) | — | — | (516) | | (196) | — | — | (196) |
| Totals | | | $ 11,489 | $ 766 | $ 750 | $ 13,005 | | $ 9,486 | $ 992 | $ 841 | $ 11,319 |

| | | Six Months Ended March 31, 2012 | | | | | Six Months Ended March 31, 2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Effective Interest Rate | Cash Interest | Amort. Debt Discount | Amort. Deferred Cost & Other Fees | Total Interest Expense | Effective Interest Rate | Cash Interest | Amort. Debt Discount | Amort. Deferred Cost & Other Fees | Total Interest Expense |
| Senior notes due 2018 | (a) | 7.4% | $ 19,594 | $ — | $ 811 | $ 20,405 | 7.5% | $ 1,633 | $ — | $ 68 | $ 1,701 |
| Revolver due 2016 | (a) | n/a | — | — | 309 | 309 | n/a | — | — | 23 | 23 |
| Convert. debt due 2017 | (b) | 9.1% | 2,000 | 1,510 | 222 | 3,732 | 9.3% | 2,000 | 1,386 | 222 | 3,608 |
| Real estate mortgages | (c) | 5.6% | 294 | — | 43 | 337 | 5.6% | 344 | — | 28 | 372 |
| ESOP Loans | (d) | 3.0% | 355 | — | 2 | 357 | 2.6% | 47 | — | 33 | 80 |
| Capital lease - real estate | (e) | 5.3% | 280 | — | 13 | 293 | 5.4% | 309 | — | 13 | 322 |
| Convert. debt due 2023 | (f) | 4.0% | 11 | — | — | 11 | 4.0% | 11 | — | — | 11 |
| Term loan due 2013 | (g) | 6.1% | 527 | — | 77 | 604 | n/a | — | — | 70 | 70 |
| Revolver due 2012 | (g) | n/a | 61 | — | 34 | 95 | n/a | 11 | — | 39 | 50 |
| Foreign line of credit | (g) | 9.1% | 156 | — | — | 156 | 3.8% | 8 | — | — | 8 |
| Foreign term loan | (g) | 10.0% | 50 | — | — | 50 | n/a | — | — | — | — |
| Term loan due 2016 | (h) | n/a | — | — | — | — | 9.5% | 13,498 | 572 | 745 | 14,815 |
| Asset based loan | (h) | n/a | — | — | — | — | 6.2% | 1,076 | 58 | 341 | 1,475 |
| Revolver due 2013 | (i) | n/a | — | — | — | — | n/a | 159 | — | 79 | 238 |
| Other long term debt | (j) | | 686 | — | — | 686 | | 12 | — | — | 12 |
| Capitalized interest | | | (967) | — | — | (967) | | (243) | — | — | (243) |
| Totals | | | $ 23,047 | $ 1,510 | $ 1,511 | $ 26,068 | | $ 18,865 | $ 2,016 | $ 1,661 | $ 22,542 |

(a) On March 17, 2011, in an unregistered offering through a private placement under Rule 144A, Griffon issued, at par, $550,000 of 7.125% Senior Notes due in 2018; interest is payable semi-annually. On August 9, 2011, Griffon exchanged all of the Senior Notes for substantially identical Senior Notes registered under the Securities Act of 1933 (“Senior Notes”), via an exchange offer.

The Senior Notes can be redeemed prior to April 1, 2014 at a price of 100% of principal plus a make-whole premium and accrued interest; on or after April 1, 2014, the Senior Notes can be redeemed at a certain price (declining from 105.344% of principal on or after April 1, 2014 to 100% of principal on or after April 1, 2017), plus accrued interest. Proceeds from the Senior Notes were used to pay down the outstanding borrowings under a senior secured term loan facility and two senior secured revolving credit facilities of certain of the Company’s subsidiaries. The Senior Notes are senior unsecured obligations of Griffon guaranteed by certain domestic subsidiaries, and are subject to certain covenants, limitations and restrictions.

On March 18, 2011, Griffon entered into a five-year $200,000 Revolving Credit Facility (“Credit Agreement”), which includes a letter of credit sub-facility with a limit of $50,000, a multi-currency sub-facility of $50,000 and a swingline sub-facility with a limit of $30,000. Borrowings under the Credit Agreement may be repaid and re-borrowed at any time, subject to final maturity of the facility or the occurrence of a default or event of default under the Credit Agreement. Interest is payable on borrowings at either a LIBOR or base rate benchmark rate plus an applicable margin, which will adjust based on financial performance. The margins are 1.75% for base rate loans and 2.75% for LIBOR loans, in each case without a floor. The Credit Agreement has certain financial maintenance tests including a maximum total leverage ratio, a maximum senior secured leverage ratio and a minimum interest coverage ratio as well as customary affirmative and negative covenants and events of default. The Credit Agreement also includes certain restrictions, such as limitations on the incurrence of indebtedness and liens and the making of restricted payments and investments. Borrowings under the Credit Agreement are guaranteed by certain domestic subsidiaries and are secured, on a first priority basis, by substantially all assets of the Company and the guarantors.

At March 31, 2012, there were $19,523 of standby letters of credit outstanding under the Credit Agreement; $180,477 was available for borrowing at that date.

(b) On December 21, 2009, Griffon issued $100,000 principal of 4% convertible subordinated notes due 2017 (the “2017 Notes”). The initial conversion rate of the 2017 Notes was 67.0799 shares of Griffon’s common stock per $1,000 principal amount of notes, corresponding to an initial conversion price of $14.91 per share, a 23% conversion premium over the $12.12 closing price on December 15, 2009. When a cash dividend is declared that would result in an adjustment to the conversion ratio of less than 1%, any adjustment to the conversion ratio is deferred until the first to occur of (i) actual conversion, (ii) the 42nd trading day prior to maturity of the notes, and (iii) such time as the cumulative adjustment equals or exceeds 1%. As of June 26, 2012, aggregate dividends of $0.06 per share would result in a cumulative change in the conversion rate of approximately 0.6%. Griffon used 8.75% as the nonconvertible debt-borrowing rate to discount the 2017 Notes and will amortize the debt discount through January 2017. At issuance, the debt component of the 2017 Notes was $75,437 and debt discount was $24,563. At March 31, 2012 and September 30, 2011, the 2017 Notes had a capital in excess of par component, net of tax, of $15,720.

(c) On December 20, 2010, Griffon entered into two second lien real estate mortgages to secure new loans totaling $11,834. The loans mature in February 2016, are collateralized by the related properties and are guaranteed by Griffon. The loans bear interest at a rate of LIBOR plus 3% with the option to swap to a fixed rate.

Griffon has other real estate mortgages, collateralized by real property, which bear interest at 6.3% and mature in 2016. On October 3, 2011, the mortgage at Russia, Ohio was paid in full, on maturity.

(d) Griffon’s Employee Stock Ownership Plan (“ESOP”) entered into a loan agreement in August 2010 to borrow $20,000 over a one-year period. The proceeds were used to purchase 1,874,737 shares of Griffon common stock in the open market for $19,973. The loan bears interest at a) LIBOR plus 2.5% or b) the lender’s prime rate, at Griffon’s option. In November 2011, Griffon exercised an option to convert the outstanding loan to a five-year term loan; principal is payable in quarterly installments of $250, beginning December 2011, with a balloon payment of $15,223 due at maturity (November 2016). The loan is secured by shares purchased with the proceeds of the loan, and repayment is guaranteed by Griffon. At March 31, 2012, $19,473 was outstanding.

In addition, the ESOP has a loan agreement, guaranteed by Griffon, which requires quarterly principal payments of $156 and interest through the expiration date of September 2012 at which time the $3,900 balance of the loan, and any outstanding interest, will be payable. The primary purpose of this loan was to purchase 547,605 shares of Griffon’s common stock in October 2008. The loan is secured by shares purchased with the proceeds of the loan, and repayment is guaranteed by Griffon. The loan bears interest at rates based upon the prime rate or LIBOR. At March 31, 2012, $4,063 was outstanding. Griffon is in process of extending the loan.

(e) In October 2006, CBP entered into a capital lease totaling $14,290 for real estate in Troy, Ohio. The lease matures in 2021, bears interest at a fixed rate of 5.1%, is secured by a mortgage on the real estate and is guaranteed by Griffon.

(f) At March 31, 2012 and September 30, 2011, Griffon had $532 of 4% convertible subordinated notes due 2023 (the “2023 Notes”) outstanding. Holders of the 2023 Notes may require Griffon to repurchase all or a portion of their 2023 Notes on July 18, 2013 and 2018, if Griffon’s common stock price is below the conversion price of the 2023 Notes, as well as upon a change in control. An adjustment to the conversion rate will be required as the result of payment of a cash dividend only if such adjustment would be greater than 1% (or at such time as the cumulative impact on the conversion rate reaches 1% in the aggregate). As of June 26, 2012, aggregate dividends of $0.06 per share would result in a cumulative change in the conversion rate of approximately 0.6%. At March 31, 2012 and September 30, 2011, the 2023 Notes had no capital in excess of par value component as substantially all of these notes were put to Griffon at par and settled in July 2010.

(g) In November 2010, Clopay Europe GMBH (“Clopay Europe”) entered into a €10,000 revolving credit facility and a €20,000 term loan. The facility accrues interest at Euribor plus 2.35% per annum, and the term loan accrues interest at Euribor plus 2.45% per annum. The revolving facility matures in November 2012, but is renewable upon mutual agreement with the bank. In July 2011, the full €20,000 was drawn on the Term Loan, with a portion of the proceeds used to repay borrowings under the revolving credit facility. The term loan is payable in ten equal quarterly installments which began in September 2011, with maturity in December 2013.

Under the term loan, Clopay Europe is required to maintain a certain minimum equity to assets ratio and keep leverage below a certain level, defined as the ratio of total debt to EBITDA. There were no borrowings outstanding under the revolving facility at March 31, 2012, with €10,000 available for borrowing.

In February 2012, Clopay do Brazil, a subsidiary of Plastics, borrowed $4,000 at a rate of 104.5% of Brazilian CDI. The loan was used to refinance existing loans and is collateralized by accounts receivable and a 50% guaranty by Plastics. Starting in August 2012, the loan is to be repaid in four equal, semi-annual installments. Clopay do Brazil also maintains a line of credit of approximately $1,900. Interest on borrowings accrue at a rate of Brazilian CDI plus 6.0%. At March 31, 2012 there was approximately $588 borrowed under the line.

(h) In connection with the ATT acquisition, Clopay Ames True Temper Holding Corp. (“Clopay Ames”), a subsidiary of Griffon, entered into the $375,000 secured term Loan (“Term Loan”) and a $125,000 asset based lending agreement (“ABL”).

On November 30, 2010, Clopay Ames, as required under the Term Loan agreement, entered into an interest rate swap on a notional amount of $200,000 of the Term Loan. The agreement fixed the LIBOR component of the Term Loan interest rate at 2.085% for the notional amount of the swap.

On March 17, 2011, the Term Loan and swap were terminated, and on March 18, 2011, the ABL was terminated, in connection with the issuance of the Senior Notes and Credit Agreement.

(i) In March 2008, Telephonics entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto, pursuant to which the lenders agreed to provide a five-year, revolving credit facility of $100,000 (the “TCA”). The TCA terminated in connection with the Credit Agreement.

(j) Includes capital leases.

At March 31, 2012, Griffon and its subsidiaries were in compliance with the terms and covenants of its credit and loan agreements.

During the second quarter of 2011, in connection with the termination of the Term Loan, ABL and Telephonics credit agreement, Griffon recorded a $26,164 loss on extinguishment of debt consisting of $21,617 of deferred financing charges and original issuer discounts, a call premium of $3,703 on the Term Loan, and $844 of swap and other breakage costs.

**NOTE 9 — SHAREHOLDERS’ EQUITY**

During the first and second quarters of 2012, the Board of Directors approved two quarterly cash dividends of $0.02 per common share, which were paid on December 27, 2011 and March 27, 2012, to holders of common stock as of close of business on November 29, 2011 and February 28, 2012, respectively. $1,190 and $2,374 was recorded to retained earnings for the dividend for the three and six months ended March 31, 2012, respectively. Dividends paid on allocated shares in the ESOP were used to pay down the ESOP loan and were recorded as a reduction in expense. A dividend payable was established for the holders of restricted shares; such payable will be released upon vesting of the underlying restricted shares.

On May 8, 2012, the Board of Directors declared a third quarterly cash dividend of $0.02 per share, payable on June 26, 2012 to shareholders of record as of the close of business on May 29, 2012.

Griffon expenses the fair value of equity compensation grants over the related vesting period. Compensation cost related to stock-based awards with graded vesting are amortized using the straight-line attribution method.

In February 2011, shareholders approved the Griffon Corporation 2011 Equity Incentive Plan ("Incentive Plan") under which awards of performance shares, performance units, stock options, stock appreciation rights, restricted shares, deferred shares and other stock-based awards may be granted. Options granted under the Incentive Plan may be either "incentive stock options" or nonqualified stock options, generally expire ten years after the date of grant and are granted at an exercise price of not less than 100% of the fair market value at the date of grant. The maximum number of shares of common stock available for award under the Incentive Plan is 3,000,000 (600,000 of which may be issued as incentive stock options) plus any shares underlying awards outstanding on the effective date of the Incentive Plan under the 2006 Incentive Plan that are subsequently cancelled or forfeited. As of March 31, 2012, 1,766,509 shares were available for grant.

All grants outstanding under the Griffon Corporation 2001 Stock Option Plan, 2006 Equity Incentive Plan and Outside Director Stock Award Plan will continue under their terms; no additional awards will be granted under such plans.

During the first quarter of 2012, Griffon granted 309,500 restricted shares with three-year cliff vesting, 191,000 of which are also subject to certain performance conditions, with a total fair value of $2,881, or a weighted average fair value of $9.31 per share.

During the second quarter of 2012, Griffon granted 110,000 restricted shares, 82,500 of which are three-year cliff vesting and 27,500 of which vest equally over 3 years; 75,000 of the 110,000 shares are subject to certain performance conditions. The total fair value of these grants is $1,119, or a weighted average fair value of $9.83 per share.

During the second quarter of 2011, Griffon granted 590,000 performance shares. Prior to the change in the terms of the grant, the performance shares had a fair value of $7,346, or a weighted average fair value of $12.45 per share, and cliff vested when either Griffon's common stock closed at or above $16 per share for twenty consecutive trading days or 7 years from the date of grant, whichever came first. In January 2012, the terms of the grant were modified such that the price of Griffon common stock must close at or above $16 per share for thirty consecutive trading days on or prior to January 10, 2016 in order for the shares to vest; otherwise, the shares will be forfeited. The unamortized portion of the original fair value of approximately $6,400 will be expensed over the new service period of 32 months beginning January 2012.

For the three and six months ended March 31, 2012, stock based compensation expense totaled $2,651 and $4,908, respectively. For the three and six months ended March 31, 2011, stock based compensation expense totaled $2,624 and $4,647, respectively.

In August 2011, Griffon's Board of Directors authorized the repurchase of up to $50,000 of Griffon's outstanding common stock. Under this repurchase program, the Company may, from time to time, purchase shares of its common stock, depending upon market conditions, in open market or privately negotiated transactions, including pursuant to a 10b5-1 plan. In the first quarter of 2012, Griffon purchased 283,400 shares of common stock, for a total of $2,351, or $8.29 per share; in total, Griffon has purchased 448,779 shares of common stock, for a total of $3,660, or $8.16 per share, under this repurchase program. $46,340 remains under the $50,000 authorization.

**NOTE 10 – EARNINGS PER SHARE (EPS)**

Basic EPS was calculated by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS was calculated by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding plus additional common shares that could be issued in connection with stock based compensation. The 2023 Notes and the 2017 Notes were anti-dilutive due to the conversion price being greater than the weighted-average stock price during the periods presented. Due to the net loss during the three and six months ended March 31, 2011, the incremental shares from stock based compensation are anti-dilutive.

The following table is a reconciliation of the share amounts (in thousands) used in computing earnings per share:

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Weighted average shares outstanding - basic | 56,037 | 59,280 | 56,031 | 59,277 |
| Incremental shares from stock based compensation | 1,343 | — | 1,197 | — |
| Weighted average shares outstanding - diluted | 57,380 | 59,280 | 57,228 | 59,277 |
| Anti-dilutive options excluded from diluted EPS computation | 989 | 1,050 | 1,202 | 988 |
| Anti-dilutive restricted stock excluded from diluted EPS computation | — | — | — | 2 |

Griffon has the intent and ability to settle the principal amount of the 2017 Notes in cash, as such, the potential issuance of shares related to the principal amount of the 2017 Notes does not affect diluted shares.

**NOTE 11 – BUSINESS SEGMENTS**

Griffon's reportable business segments are as follows:

- HBP is a leading manufacturer and marketer of residential, commercial and industrial garage doors to professional installing dealers and major home center retail chains, as well as a global provider of non-powered landscaping products that make work easier for homeowners and professionals.
- Telephonics develops, designs and manufactures high-technology integrated information, communication and sensor system solutions to military and commercial markets worldwide.
- Plastics is an international leader in the development and production of embossed, laminated and printed specialty plastic films used in a variety of hygienic, health-care and industrial applications.

Griffon evaluates performance and allocates resources based on each segments' operating results before interest income or expense, income taxes, depreciation and amortization, gain (losses) from debt extinguishment, unallocated amounts, restructuring charges and costs related to the fair value of inventory for acquisitions. Griffon believes this information is useful to investors. The following tables provide a reconciliation of Segment profit and Segment profit before depreciation, amortization, restructuring and fair value write-up of acquired inventory sold and acquisition costs to Income before taxes and discontinued operations:

| | For the Three Months Ended March 31, | | For the Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **REVENUE** | | | | |
| Home & Building Products: | | | | |
| ATT | $ 133,321 | $ 145,644 | $ 232,061 | $ 239,841 |
| CBP | 91,269 | 86,675 | 202,915 | 190,741 |
| Home & Building Products | 224,590 | 232,319 | 434,976 | 430,582 |
| Telephonics | 113,992 | 113,525 | 218,506 | 211,804 |
| Plastics | 143,849 | 130,285 | 279,980 | 248,145 |
| Total consolidated net sales | $ 482,431 | $ 476,129 | $ 933,462 | $ 890,531 |

| | For the Three Months Ended March 31, | | For the Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **INCOME (LOSS) BEFORE TAXES** | | | | |
| Segment operating profit (loss): | | | | |
| Home & Building Products | $ 8,096 | $ 6,931 | $ 17,930 | $ 5,308 |
| Telephonics | 13,543 | 11,225 | 26,056 | 21,918 |
| Plastics | 2,492 | 5,170 | 4,372 | 9,312 |
| Total segment operating profit | 24,131 | 23,326 | 48,358 | 36,538 |
| Unallocated amounts | (6,453) | (6,581) | (12,787) | (11,687) |
| Loss from debt extinguishment, net | — | (26,164) | — | (26,164) |
| Net interest expense | (12,919) | (11,222) | (25,919) | (22,376) |
| Income (loss) before taxes | $ 4,759 | $ (20,641) | $ 9,652 | $ (23,689) |
| Segment profit before depreciation, amortization, restructuring, fair value write-up of acquired inventory sold and acquisition costs: | | | | |
| Home & Building Products | $ 15,853 | $ 19,619 | $ 33,603 | $ 37,153 |
| Telephonics | 15,336 | 12,929 | 31,024 | 25,335 |
| Plastics | 9,164 | 11,231 | 17,344 | 21,017 |
| Total Segment profit before depreciation, amortization, restructuring, fair value write-up of acquired inventory sold and acquisition costs | 40,353 | 43,779 | 81,971 | 83,505 |
| Unallocated amounts, less acquisition costs | (6,453) | (6,581) | (12,787) | (11,687) |
| Loss from debt extinguishment, net | — | (26,164) | — | (26,164) |
| Net interest expense | (12,919) | (11,222) | (25,919) | (22,376) |
| Segment depreciation and amortization | (16,222) | (15,453) | (31,640) | (29,210) |
| Restructuring charges | — | (1,212) | (1,795) | (2,605) |
| Fair value write-up of acquired inventory sold | — | (3,788) | — | (15,152) |
| Acquisition costs | — | — | (178) | — |
| Income (loss) before taxes | $ 4,759 | $ (20,641) | $ 9,652 | $ (23,689) |

Unallocated amounts typically include general corporate expenses not attributable to a reportable segment.

| | For the Three Months Ended March 31, | | For the Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **DEPRECIATION and AMORTIZATION** | | | | |
| Segment: | | | | |
| Home & Building Products | $ 7,757 | $ 7,688 | $ 15,222 | $ 14,088 |
| Telephonics | 1,793 | 1,704 | 3,446 | 3,417 |
| Plastics | 6,672 | 6,061 | 12,972 | 11,705 |
| Total segment depreciation and amortization | 16,222 | 15,453 | 31,640 | 29,210 |
| Corporate | 99 | 100 | 196 | 168 |
| Total consolidated depreciation and amortization | $ 16,321 | $ 15,553 | $ 31,836 | $ 29,378 |
| **CAPITAL EXPENDITURES** | | | | |
| Segment: | | | | |
| Home & Building Products | $ 8,305 | $ 7,335 | $ 14,573 | $ 13,775 |
| Telephonics | 2,554 | 1,333 | 3,784 | 2,138 |
| Plastics | 9,446 | 14,996 | 21,774 | 25,616 |
| Total segment | 20,305 | 23,664 | 40,131 | 41,529 |

| | | | | |
|---|---|---|---|---|
| Corporate | 8 | 143 | 74 | 208 |
| Total consolidated capital expenditures | $ 20,313 | $ 23,807 | $ 40,205 | $ 41,737 |

| | At March 31, 2012 | At September 30, 2011 |
|---|---|---|
| **ASSETS** | | |
| Segment assets: | | |
| Home & Building Products | $ 1,005,209 | $ 972,714 |
| Telephonics | 254,574 | 288,968 |
| Plastics | 436,314 | 450,452 |
| Total segment assets | 1,696,097 | 1,712,134 |
| Corporate | 148,821 | 148,064 |
| Total continuing assets | 1,844,918 | 1,860,198 |
| Assets of discontinued operations | 4,362 | 5,056 |
| Consolidated total | $ 1,849,280 | $ 1,865,254 |

**NOTE 12 – COMPREHENSIVE INCOME**

Comprehensive income was as follows:

| | Three Months Ended March 31, | | Six Months Ended Ended March 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Net income (loss) | $ 2,027 | $ (14,001) | $ 4,513 | $ (15,681) |
| Change in fair value of interest rate swap, net of tax | — | 48 | — | — |
| Foreign currency translation adjustment | 9,620 | 16,911 | 5,048 | 16,466 |
| Pension other comprehensive income amortization, net of tax | 523 | 426 | 1,040 | 851 |
| Comprehensive income | $ 12,170 | $ 3,384 | $ 10,601 | $ 1,636 |

**NOTE 13 – DEFINED BENEFIT PENSION EXPENSE**

Defined benefit pension expense was as follows:

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Service cost | $ 51 | $ 88 | $ 123 | $ 174 |
| Interest cost | 2,666 | 2,792 | 5,568 | 5,578 |
| Expected return on plan assets | (2,930) | (2,843) | (5,732) | (5,681) |
| Amortization: | | | | |
| Prior service cost | 84 | 84 | 168 | 168 |
| Recognized actuarial loss | 718 | 571 | 1,293 | 1,142 |
| Net periodic expense | $ 589 | $ 692 | $ 1,420 | $ 1,381 |

Effective January 1, 2012, the Clopay Pension Plan merged with the Ames True Temper Inc. Pension Plan. The merged Pension Plan was renamed the Clopay Ames True Temper Plan.

**NOTE 14 – RECENT ACCOUNTING PRONOUNCEMENTS**

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

## NOTE 15 – DISCONTINUED OPERATIONS

The following amounts related to the Installation Services segment, discontinued in 2008, have been segregated from Griffon's continuing operations and are reported as assets and liabilities of discontinued operations in the condensed consolidated balance sheets:

| | At March 31, 2012 | | At September 30, 2011 | |
|---|---|---|---|---|
| | Current | Long-term | Current | Long-term |
| Assets of discontinued operations: | | | | |
| Prepaid and other current assets | $ 1,312 | $ — | $ 1,381 | $ — |
| Other long-term assets | — | 3,050 | — | 3,675 |
| Total assets of discontinued operations | $ 1,312 | $ 3,050 | $ 1,381 | $ 3,675 |
| Liabilities of discontinued operations: | | | | |
| Accrued liabilities | $ 3,334 | $ — | $ 3,794 | $ — |
| Other long-term liabilities | — | 4,788 | — | 5,786 |
| Total liabilities of discontinued operations | $ 3,334 | $ 4,788 | $ 3,794 | $ 5,786 |

There was no Installation Services' operating unit revenue or income for the three and six months ended March 31, 2012 or 2011.

## NOTE 16 – RESTRUCTURING AND OTHER RELATED CHARGES

In June 2009, Griffon announced plans to consolidate facilities in CBP. These actions were completed in 2011, consistent with the plan. In completing the consolidation plan, CBP incurred total pre-tax exit and restructuring costs approximating $9,031, substantially all of which was cash charges; charges include $1,160 for one-time termination benefits and other personnel costs, $210 for excess facilities and related costs, and $7,661 for other exit costs, primarily in connection with production realignment, and had $10,365 of capital expenditures. The restructuring costs in the three and six months ended March 31, 2011 were $1,153 and $2,482, respectively.

ATT recognized nil and $273, respectively, for the three and six months ended March 31, 2012, and $59 and $123, respectively, for the three and six months ended March 31, 2011, in restructuring and other related charges, primarily related to a facility and related one-time termination costs.

In the first quarter of 2012, Telephonics recognized $1,522 of restructuring and other related charges, primarily for one-time termination benefits and other personnel costs in conjunction with changes to its organizational structure.

A summary of the restructuring and other related charges included in the line item "Restructuring and other related charges" in the Consolidated Statements of Operations recognized was as follows:

| | Workforce Reduction | Facilities & Exit Costs | Other Related Costs | Total |
|---|---|---|---|---|
| Amounts incurred in: | | | | |
| Quarter ended December 31, 2010 | $ 239 | $ 791 | $ 363 | $ 1,393 |
| Quarter ended March 31, 2011 | 61 | 470 | 681 | 1,212 |
| Six months ended March 31, 2011 | $ 300 | $ 1,261 | $ 1,044 | $ 2,605 |
| Quarter ended December 31, 2011 | $ 1,538 | $ 257 | $ — | $ 1,795 |
| Quarter ended March 31, 2012 | — | — | — | — |
| Six months ended March 31, 2012 | $ 1,538 | $ 257 | $ — | $ 1,795 |

At March 31, 2012, the accrued liability for the restructuring and related charges consisted of:

| | Workforce Reduction | Facilities & Exit Costs | Other Related Costs | Total |
|---|---|---|---|---|
| Accrued liability at September 30, 2011 | $ 2,657 | $ — | $ — | $ 2,657 |
| Charges | 1,538 | 257 | — | 1,795 |
| Payments | (2,972) | (234) | — | (3,206) |
| Accrued liability at March 31, 2012 | $ 1,223 | $ 23 | $ — | $ 1,246 |

**NOTE 17 – OTHER INCOME**

For the quarters ended March 31, 2012 and 2011, Other income included net foreign exchange losses of $404 and $150, respectively, and $107 and $168, respectively, of investment income.

For the six months ended March 31, 2012 and 2011, Other income included net foreign exchange losses of $668 and $27, respectively, and $172 and $1,307, respectively, of investment income.

**NOTE 18 – WARRANTY LIABILITY**

Telephonics offers warranties against product defects for periods generally ranging from one to two years, depending on the specific product and terms of the customer purchase agreement. Typical warranties require Telephonics to repair or replace the defective products during the warranty period at no cost to the customer. At the time revenue is recognized, Griffon records a liability for warranty costs, estimated based on historical experience and periodically assesses its warranty obligations and adjusts the liability as necessary. ATT offers an express limited warranty for a period of ninety days on all products unless otherwise stated on the product or packaging from the date of original purchase.

Changes in Griffon's warranty liability, included in Accrued liabilities, were as follows:

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Balance, beginning of period | $ 8,953 | $ 6,701 | $ 7,963 | $ 6,719 |
| Warranties issued and charges in estimated pre-existing warranties | 2,916 | 845 | 4,946 | 1,676 |
| Actual warranty costs incurred | (1,513) | (1,033) | (2,553) | (1,882) |
| Balance, end of period | $ 10,356 | $ 6,513 | $ 10,356 | $ 6,513 |

**NOTE 19 — COMMITMENTS AND CONTINGENCIES**

*Legal and environmental*

*Department of Environmental Conservation of New York State ("DEC"), with ISC Properties, Inc.* Lightron Corporation ("Lightron"), a wholly-owned subsidiary of Griffon, once conducted operations at a location in Peekskill in the Town of Cortlandt, New York (the "Peekskill Site") owned by ISC Properties, Inc. ("ISC"), a wholly-owned subsidiary of Griffon. ISC sold the Peekskill Site in November 1982.

Subsequently, Griffon was advised by the DEC that random sampling at the Peekskill Site and in a creek near the Peekskill Site indicated concentrations of solvents and other chemicals common to Lightron's prior plating operations. ISC then entered into a consent order with the DEC in 1996 (the "Consent Order") to perform a remedial investigation and prepare a feasibility study. After completing the initial remedial investigation pursuant to the Consent Order, ISC was required by the DEC, and did conduct accordingly over the next several years, supplemental remedial investigations, including soil vapor investigations, under the Consent Order.

In April 2009, the DEC advised ISC's representatives that both the DEC and the New York State Department of Health had reviewed and accepted an August 2007 Remedial Investigation Report and an Additional Data Collection Summary Report dated January 30, 2009. With the acceptance of these reports, ISC completed the remedial investigation required under the Consent Order and was authorized, accordingly, by the DEC to conduct the Feasibility Study required by the Consent Order. Pursuant to the requirements of the Consent Order and its obligations thereunder, ISC, without acknowledging any responsibility to perform any remediation at the Site, submitted to the DEC in August 2009, a draft feasibility study which recommended for the soil, groundwater and sediment medias, remediation alternatives having a current net capital cost value, in the aggregate, of approximately $5,000. In February 2011, DEC advised ISC it has accepted and approved the feasibility study. Accordingly, ISC has no further obligations under the consent order.

Upon acceptance of the feasibility study, DEC issued a Proposed Remedial Action Plan ("PRAP") that sets forth the proposed remedy for the site. The PRAP accepted the recommendation contained in the feasibility study for remediation of the soil and groundwater medias, but selected a different remediation alternative for the sediment medium. The approximate cost and the current net capital cost value of the remedy proposed by DEC in the PRAP is approximately $10,000. After receiving public comments on the PRAP, the DEC issued a Record of Decision ("ROD") that set forth the specific remedies selected and responded to public comments. The remedies selected by the DEC in the ROD are the same remedies as those set forth in the PRAP.

It is now expected that DEC will enter into negotiations with potentially responsible parties to request they undertake performance of the remedies selected in the ROD, and if such parties do not agree to implement such remedies, then the State may use State Superfund money to remediate the Peekskill site and seek recovery of costs from such parties. Griffon does not acknowledge any responsibility to perform any remediation at the Peekskill Site.

*Improper Advertisement Claim involving Union Tools Products.* During December 2004, a customer of ATT was named in litigation that involved Union Tools products. The complaint asserted causes of action against the defendant for improper advertisement to the end consumer. The allegation suggests that advertisements led the consumer to believe that the hand tools sold were manufactured within boundaries of the United States. The allegation asserts cause of action against the customer for common law fraud. In the event that an adverse judgment is rendered against the customer, there is a possibility that the customer would seek legal recourse against ATT for an unspecified amount in contributory damages. Presently, ATT cannot estimate the amount of loss, if any, if the customer were to seek legal recourse against ATT.

*Department of Environmental Conservation of New York State, regarding Frankfort, NY site.* During fiscal 2009, an underground fuel tank with surrounding soil contamination was discovered at the Frankfort, N.Y. site which is the result of historical facility operations prior to ATT's ownership. While ATT was actively working with the DEC and the New York State Department of Health to define remediation requirements relative to the underground fuel tank, the DEC took the position that ATT was responsible to remediate other types of contamination on the site. After negotiations with the DEC, on August 15, 2011, ATT executed an Order on Consent with the DEC. The Order is without admission or finding of liability or acknowledgement that there has been a release of hazardous substances at the site. Importantly, the Order does not waive any rights that ATT has under a 1991 Consent Judgment entered into between the DEC and a predecessor of ATT relating to the site. The Order requires that ATT identify Areas of Concern at the site, and formulate a strategy to investigate and remedy both on and off site conditions in compliance with applicable environmental law. At the conclusion of the remedy phase of the remediation to the satisfaction of the DEC, the DEC will issue a Certificate of Completion. On September 26, 2011 ATT submitted a Records Search Report to DEC and on October 24, 2011 filed the draft Remedial Investigation Work Plan ("RIWP") completing the first two steps under the Order. DEC responded to ATT's draft work plan and requested certain changes that will be reflected in an amended work plan that is expected to be submitted to DEC in June 2012. Prior to the submission of the RIWP, ATT will perform Interim Remedial Measures at the site, consisting primarily of the demolition of buildings to facilitate the implementation of the RIWP.

*U.S. Government investigations and claims*

Defense contracts and subcontracts, including Griffon's contracts and subcontracts, are subject to audit and review by various agencies and instrumentalities of the United States government, including, among others, the Defense Contract Audit Agency ("DCAA") and the Department of Justice, which has responsibility for asserting claims on behalf of the U.S. government. In addition to ongoing audits, pursuant to an administrative subpoena Griffon is currently providing information to the U.S. Department of Defense Office of the Inspector General. No claim has been asserted against Griffon, and Griffon is unaware of any material financial exposure in connection with the Inspector General's inquiry.

In general, departments and agencies of the U.S. Government have the authority to investigate various transactions and operations of Griffon, and the results of such investigations may lead to administrative, civil or criminal proceedings, the ultimate outcome of which could be fines, penalties, repayments or compensatory or treble damages. U.S. Government regulations provide that certain findings against a contractor may lead to suspension or debarment from future U.S. Government contracts or the loss of export privileges for a company or an operating division or subdivision. Suspension or debarment could have material adverse effect on Telephonics because of its reliance on government contracts.

*General legal*

Griffon is a party to legal proceedings arising in the ordinary course of business and is subject to various laws and regulations relating to the protection of the environment. Management believes, based on facts presently known to it, that the resolution of the matters above and such other matters will not have a material adverse effect on Griffon's consolidated financial position, results of operations or cash flows.

## NOTE 20 — CONSOLIDATING GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

Griffon's Senior Notes are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis by the domestic assets of Clopay Building Products Company, Inc., Clopay Plastic Products Company, Inc., Telephonics Corporation and Ames True Temper Inc. In accordance with Rule 3-10 of Regulation S-X promulgated under the Securities Act of 1933, presented below are condensed consolidating financial information as of March 31, 2012 and September 30, 2011 and for the three and six months ended March 31, 2012 and 2011. The financial information may not necessarily be indicative of results of operations or financial position had the guarantor companies or non-guarantor companies operated as independent entities. The guarantor companies and the non-guarantor companies include the consolidated financial results of their wholly-owned subsidiaries accounted for under the equity method.

**CONDENSED CONSOLIDATING BALANCE SHEETS**
**At March 31, 2012**

| ($ in thousands) | Parent Company | Guarantor Companies | Non-Guarantor Companies | Elimination | Consolidation |
|---|---|---|---|---|---|
| **CURRENT ASSETS** | | | | | |
| Cash and equivalents | $ 101,314 | $ 22,315 | $ 41,250 | $ — | $ 164,879 |
| Accounts receivable, net of allowances | — | 190,672 | 99,162 | — | 289,834 |
| Contract costs and recognized income not yet billed, net of progress payments | — | 64,772 | 2,194 | — | 66,966 |
| Inventories, net | — | 214,884 | 70,658 | — | 285,542 |
| Prepaid and other current assets | 3,435 | 46,930 | (242) | (3,665) | 46,458 |
| Assets of discontinued operations | — | — | 1,312 | — | 1,312 |
| Total Current Assets | 104,749 | 539,573 | 214,334 | (3,665) | 854,991 |
| **PROPERTY, PLANT AND EQUIPMENT, net** | 1,313 | 237,538 | 122,605 | — | 361,456 |
| **GOODWILL** | — | 283,491 | 79,440 | — | 362,931 |
| **INTANGIBLE ASSETS, net** | — | 153,305 | 81,286 | — | 234,591 |
| **INTERCOMPANY RECEIVABLE** | 539,962 | 291,998 | 189,237 | (1,021,197) | — |
| **EQUITY INVESTMENTS IN SUBSIDIARIES** | 2,850,415 | 750,616 | 2,397,506 | (5,998,537) | — |
| **OTHER ASSETS** | 53,195 | 57,425 | 2,782 | (81,141) | 32,261 |
| **ASSETS OF DISCONTINUED OPERATIONS** | — | — | 3,050 | — | 3,050 |
| Total Assets | $ 3,549,634 | $ 2,313,946 | $ 3,090,240 | $ (7,104,540) | $ 1,849,280 |
| **CURRENT LIABILITIES** | | | | | |
| Notes payable and current portion of long-term debt | $ 1,000 | $ 1,012 | $ 14,243 | $ — | $ 16,255 |
| Accounts payable and accrued liabilities | 40,367 | 181,518 | 52,814 | (3,665) | 271,034 |
| Liabilities of discontinued operations | — | — | 3,334 | — | 3,334 |
| Total Current Liabilities | 41,367 | 182,530 | 70,391 | (3,665) | 290,623 |
| **LONG-TERM DEBT, net of debt discounts** | 654,884 | 10,300 | 23,827 | — | 689,011 |
| **INTERCOMPANY PAYABLES** | — | 161,162 | 860,035 | (1,021,197) | — |
| **OTHER LIABILITIES** | 78,941 | 183,570 | 20,123 | (81,141) | 201,493 |
| **LIABILITIES OF DISCONTINUED OPERATIONS** | — | — | 4,788 | — | 4,788 |
| Total Liabilities | 775,192 | 537,562 | 979,164 | (1,106,003) | 1,185,915 |
| **SHAREHOLDERS' EQUITY** | 2,774,442 | 1,776,384 | 2,111,076 | (5,998,537) | 663,365 |
| Total Liabilities and Shareholders' Equity | $ 3,549,634 | $ 2,313,946 | $ 3,090,240 | $ (7,104,540) | $ 1,849,280 |

## CONDENSED CONSOLIDATING BALANCE SHEETS
### At September 30, 2011

| ($ in thousands) | Parent Company | Guarantor Companies | Non-Guarantor Companies | Elimination | Consolidation |
|---|---|---|---|---|---|
| **CURRENT ASSETS** | | | | | |
| Cash and equivalents | $ 178,448 | $ 15,164 | $ 49,417 | $ — | $ 243,029 |
| Accounts receivable, net of allowances | — | 190,986 | 76,485 | — | 267,471 |
| Contract costs and recognized income not yet billed, net of progress payments | — | 73,755 | 982 | — | 74,737 |
| Inventories, net | — | 194,355 | 69,454 | — | 263,809 |
| Prepaid and other current assets | 1,839 | 40,436 | 1,913 | 4,640 | 48,828 |
| Assets of discontinued operations | — | — | 1,381 | — | 1,381 |
| Total Current Assets | 180,287 | 514,696 | 199,632 | 4,640 | 899,255 |
| **PROPERTY, PLANT AND EQUIPMENT, net** | 1,402 | 224,193 | 124,455 | — | 350,050 |
| **GOODWILL** | — | 283,491 | 74,397 | — | 357,888 |
| **INTANGIBLE ASSETS, net** | — | 155,242 | 67,947 | — | 223,189 |
| **INTERCOMPANY RECEIVABLE** | 449,112 | 278,344 | 98,953 | (826,409) | — |
| **EQUITY INVESTMENTS IN SUBSIDIARIES** | 2,844,527 | 746,686 | 2,397,258 | (5,988,471) | — |
| **OTHER ASSETS** | 54,354 | 49,771 | 14,270 | (87,198) | 31,197 |
| **ASSETS OF DISCONTINUED OPERATIONS** | — | — | 3,675 | — | 3,675 |
| Total Assets | $ 3,529,682 | $ 2,252,423 | $ 2,980,587 | $ (6,897,438) | $ 1,865,254 |
| **CURRENT LIABILITIES** | | | | | |
| Notes payable and current portion of long-term debt | $ 5,375 | $ 4,350 | $ 15,439 | $ — | $ 25,164 |
| Accounts payable and accrued liabilities | 36,765 | 199,742 | 44,774 | 4,640 | 285,921 |
| Liabilities of discontinued operations | — | — | 3,794 | — | 3,794 |
| Total Current Liabilities | 42,140 | 204,092 | 64,007 | 4,640 | 314,879 |
| **LONG-TERM DEBT, net of debt discounts** | 649,812 | 10,794 | 27,641 | — | 688,247 |
| **INTERCOMPANY PAYABLES** | — | 89,198 | 737,211 | (826,409) | — |
| **OTHER LIABILITIES** | 79,655 | 172,203 | 39,774 | (87,198) | 204,434 |
| **LIABILITIES OF DISCONTINUED OPERATIONS** | — | — | 5,786 | — | 5,786 |
| Total Liabilities | 771,607 | 476,287 | 874,419 | (908,967) | 1,213,346 |
| **SHAREHOLDERS' EQUITY** | 2,758,075 | 1,776,136 | 2,106,168 | (5,988,471) | 651,908 |
| Total Liabilities and Shareholders' Equity | $ 3,529,682 | $ 2,252,423 | $ 2,980,587 | $ (6,897,438) | $ 1,865,254 |

## CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
### For the Three Months Ended March 31, 2012

| ($ in thousands) | Parent Company | Guarantor Companies | Non-Guarantor Companies | Elimination | Consolidation |
|---|---|---|---|---|---|
| Revenue | $ — | $ 344,442 | $ 151,309 | $ (13,320) | $ 482,431 |
| Cost of goods and services | — | 264,078 | 129,241 | (13,689) | 379,630 |
| Gross profit | — | 80,364 | 22,068 | 369 | 102,801 |
| Selling, general and administrative expenses | 4,627 | 65,072 | 16,546 | (93) | 86,152 |
| Restructuring and other related charges | — | — | — | — | — |
| Total operating expenses | 4,627 | 65,072 | 16,546 | (93) | 86,152 |
| Income (loss) from operations | (4,627) | 15,292 | 5,522 | 462 | 16,649 |
| Other income (expense) | | | | | |
| Interest income (expense), net | (3,345) | (5,327) | (4,247) | — | (12,919) |
| Loss from debt extinguishment, net | — | — | — | — | — |
| Other intercompany | — | — | — | — | — |
| Other, net | 109 | 2,746 | (1,364) | (462) | 1,029 |
| Total other income (expense) | (3,236) | (2,581) | (5,611) | (462) | (11,890) |
| Income (loss) before taxes | (7,863) | 12,711 | (89) | — | 4,759 |
| Provision (benefit) for income taxes | (3,316) | 6,061 | (13) | — | 2,732 |
| Income (loss) before equity in net income (loss) of subsidiaries | (4,547) | 6,650 | (76) | — | 2,027 |
| Equity in net income (loss) of subsidiaries | 6,574 | (38) | 6,650 | (13,186) | — |
| Net income (loss) | $ 2,027 | $ 6,612 | $ 6,574 | $ (13,186) | $ 2,027 |

## CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
### For the Three Months Ended March 31, 2011

| ($ in thousands) | Parent Company | Guarantor Companies | Non-Guarantor Companies | Elimination | Consolidation |
|---|---|---|---|---|---|
| Revenue | $ — | $ 363,254 | $ 123,554 | $ (10,679) | $ 476,129 |
| Cost of goods and services | — | 282,809 | 103,226 | (11,049) | 374,986 |
| Gross profit | — | 80,445 | 20,328 | 370 | 101,143 |
| Selling, general and administrative expenses | 5,481 | 64,308 | 14,666 | (92) | 84,363 |
| Restructuring and other related charges | — | 1,153 | 59 | — | 1,212 |
| Total operating expenses | 5,481 | 65,461 | 14,725 | (92) | 85,575 |
| Income (loss) from operations | (5,481) | 14,984 | 5,603 | 462 | 15,568 |
| Other income (expense) | | | | | |
| Interest income (expense), net | (3,572) | 2,472 | (10,122) | — | (11,222) |
| Loss from debt extinguishment, net | — | (397) | (25,767) | — | (26,164) |
| Other, net | 168 | (89) | 1,560 | (462) | 1,177 |
| Total other income (expense) | (3,404) | 1,986 | (34,329) | (462) | (36,209) |
| Income (loss) before taxes and discontinued operations | (8,885) | 16,970 | (28,726) | — | (20,641) |
| Provision (benefit) for income taxes | (3,651) | 8,071 | (11,060) | — | (6,640) |
| Income (loss) before equity in net income | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| (loss) of subsidiaries | (5,234) | 8,899 | (17,666) | — | (14,001) |
| Equity in net income of subsidiaries | (8,767) | 3,734 | 8,899 | (3,866) | — |
| Net income (loss) | $ (14,001) | $ 12,633 | $ (8,767) | $ (3,866) | $ (14,001) |

## CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
## For the Six Months Ended March 31, 2012

| ($ in thousands) | Parent Company | Guarantor Companies | Non-Guarantor Companies | Elimination | Consolidation |
|---|---|---|---|---|---|
| Revenue | $ — | $ 682,504 | $ 278,272 | $ (27,314) | $ 933,462 |
| Cost of goods and services | — | 517,605 | 238,401 | (28,053) | 727,953 |
| Gross profit | — | 164,899 | 39,871 | 739 | 205,509 |
| Selling, general and administrative expenses | 9,244 | 129,063 | 31,097 | (185) | 169,219 |
| Restructuring and other related charges | — | 1,779 | 16 | — | 1,795 |
| Total operating expenses | 9,244 | 130,842 | 31,113 | (185) | 171,014 |
| Income (loss) from operations | (9,244) | 34,057 | 8,758 | 924 | 34,495 |
| Other income (expense) | | | | | |
| Interest income (expense), net | (6,743) | (11,309) | (7,867) | — | (25,919) |
| Loss from debt extinguishment, net | — | — | — | — | — |
| Other intercompany | — | — | — | — | — |
| Other, net | 174 | 5,588 | (3,762) | (924) | 1,076 |
| Total other income (expense) | (6,569) | (5,721) | (11,629) | (924) | (24,843) |
| Income (loss) before taxes | (15,813) | 28,336 | (2,871) | — | 9,652 |
| Provision (benefit) for income taxes | (7,757) | 12,787 | 109 | — | 5,139 |
| Income (loss) before equity in net income (loss) of subsidiaries | (8,056) | 15,549 | (2,980) | — | 4,513 |
| Equity in net income (loss) of subsidiaries | 12,569 | (2,878) | 15,549 | (25,240) | — |
| Net income (loss) | $ 4,513 | $ 12,671 | $ 12,569 | $ (25,240) | $ 4,513 |

## CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
## For the Six Months Ended March 31, 2011

| ($ in thousands) | Parent Company | Guarantor Companies | Non-Guarantor Companies | Elimination | Consolidation |
|---|---|---|---|---|---|
| Revenue | $ — | $ 668,901 | $ 239,372 | $ (17,742) | $ 890,531 |
| Cost of goods and services | — | 523,413 | 196,484 | (18,368) | 701,529 |
| Gross profit | — | 145,488 | 42,888 | 626 | 189,002 |
| Selling, general and administrative expenses | 10,563 | 124,961 | 29,440 | (156) | 164,808 |
| Restructuring and other related charges | — | 2,482 | 123 | — | 2,605 |
| Total operating expenses | 10,563 | 127,443 | 29,563 | (156) | 167,413 |
| Income (loss) from operations | (10,563) | 18,045 | 13,325 | 782 | 21,589 |
| Other income (expense) | | | | | |
| Interest income (expense), net | (5,397) | 1,699 | (18,678) | — | (22,376) |
| Loss from debt extinguishment, net | — | (397) | (25,767) | — | (26,164) |
| Other, net | 1,307 | (2,231) | 4,968 | (782) | 3,262 |
| Total other income (expense) | (4,090) | (929) | (39,477) | (782) | (45,278) |
| Income (loss) before taxes and discontinued operations | (14,653) | 17,116 | (26,152) | — | (23,689) |
| Provision (benefit) for income taxes | (5,886) | 11,217 | (13,339) | — | (8,008) |
| Income (loss) before equity in net income of | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| subsidiaries | (8,767) | 5,899 | (12,813) | — | (15,681) |
| Equity in net income (loss) of subsidiaries | (6,914) | 14,359 | 5,899 | (13,344) | — |
| Net income (loss) | $ (15,681) | $ 20,258 | $ (6,914) | $ (13,344) | $ (15,681) |

**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**
**For the Six Months Ended March 31, 2012**

| ($ in thousands) | Parent Company | Guarantor Companies | Non-Guarantor Companies | Elimination | Consolidation |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Net income (loss) | $ 4,513 | $ 12,671 | $ 12,569 | $ (25,240) | $ 4,513 |
| Net cash provided by (used in) operating activities | (59,324) | 8,258 | 48,858 | — | (2,208) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Acquisition of property, plant and equipment | (74) | (35,119) | (5,012) | — | (40,205) |
| Acquired business, net of cash acquired | — | — | (22,432) | — | (22,432) |
| Intercompany distributions | 10,000 | (10,000) | — | — | — |
| Proceeds from sale of assets | — | 140 | 55 | — | 195 |
| Net cash provided by (used in) investing activities | 9,926 | (44,979) | (27,389) | — | (62,442) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Purchase of shares for treasury | (2,350) | — | — | — | (2,350) |
| Proceeds from issuance of long-term debt | — | — | 4,000 | — | 4,000 |
| Payments of long-term debt | (813) | (3,852) | (5,733) | — | (10,398) |
| Decrease in short-term borrowings | — | 1 | (3,332) | — | (3,331) |
| Intercompany debt | (23,000) | — | 23,000 | — | — |
| Financing costs | (4) | — | — | — | (4) |
| Tax effect from exercise/vesting of equity awards, net | 834 | — | — | — | 834 |
| Dividend | (2,374) | — | — | — | (2,374) |
| Other, net | (29) | 47,723 | (47,723) | — | (29) |
| Net cash provided by (used in) financing activities | (27,736) | 43,872 | (29,788) | — | (13,652) |
| Net cash used in discontinued operations | — | — | (764) | — | (764) |
| Effect of exchange rate changes on cash and equivalents | — | — | 916 | — | 916 |
| NET INCREASE (DECREASE) IN CASH AND EQUIVALENT | (77,134) | 7,151 | (8,167) | — | (78,150) |
| CASH AND EQUIVALENTS AT BEGINNING OF PERIOD | 178,448 | 15,164 | 49,417 | — | 243,029 |
| CASH AND EQUIVALENTS AT END OF PERIOD | $ 101,314 | $ 22,315 | $ 41,250 | $ — | $ 164,879 |

**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**
**For the Six Months Ended March 31, 2011**

| ($ in thousands) | Parent Company | Guarantor Companies | Non-Guarantor Companies | Elimination | Consolidation |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Net income (loss) | $ (15,681) | $ 20,258 | $ (6,914) | $ (13,344) | $ (15,681) |
| Net cash used in operating activities | (3,611) | (14,241) | (17,847) | — | (35,699) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Acquisition of property, plant and equipment | (208) | (19,449) | (22,080) | — | (41,737) |
| Acquired business, net of cash acquired | — | (1,066) | 211 | — | (855) |
| Intercompany distributions | 10,000 | (10,000) | — | — | — |
| Funds restricted for capital projects | — | 3,875 | — | — | 3,875 |
| Proceeds from sale of investment | — | — | 1,333 | — | 1,333 |
| Increase in equipment lease deposits | — | (351) | — | — | (351) |
| Net cash provided by (used in) investing activities | 9,792 | (26,991) | (20,536) | — | (37,735) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Proceeds from issuance of long-term debt | 558,310 | — | 79,427 | — | 637,737 |
| Payments of long-term debt | (312) | (30,567) | (467,892) | — | (498,771) |
| Decrease in short-term borrowings | — | — | 2,022 | — | 2,022 |
| Intercompany debt | (468,372) | — | 468,372 | — | — |
| Financing costs | (14,272) | — | (6,967) | — | (21,239) |
| Purchase of ESOP shares | (8,310) | — | — | — | (8,310) |
| Exercise of stock options | 20 | — | — | — | 20 |
| Tax benefit from vesting of restricted stock | 23 | — | — | — | 23 |
| Other, net | (94) | 39,795 | (39,795) | — | (94) |
| Net cash provided by financing activities | 66,993 | 9,228 | 35,167 | — | 111,388 |
| Net cash used in discontinued operations | — | — | (561) | — | (561) |
| Effect of exchange rate changes on cash and equivalents | — | — | 1,142 | — | 1,142 |
| NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS | 73,174 | (32,004) | (2,635) | — | 38,535 |
| CASH AND EQUIVALENTS AT BEGINNING OF PERIOD | 74,600 | 57,113 | 38,089 | — | 169,802 |
| CASH AND EQUIVALENTS AT END OF PERIOD | $ 147,774 | $ 25,109 | $ 35,454 | $ — | $ 208,337 |

**Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations**

**BUSINESS OVERVIEW** (in thousands, except per share data)

Griffon Corporation (the "Company" or "Griffon"), is a diversified management and holding company that conducts business through wholly-owned subsidiaries. Griffon oversees the operations of its subsidiaries, allocates resources among them and manages their capital structures. Griffon provides direction and assistance to its subsidiaries in connection with acquisition and growth opportunities as well as in connection with divestitures. In order to further diversify, Griffon also seeks out, evaluates and, when appropriate, will acquire additional businesses that offer potentially attractive returns on capital.

Griffon currently conducts its operations through three segments:

- Home & Building Products ("HBP") consists of two companies, Ames True Temper, Inc ("ATT") and Clopay Building Products ("CBP"):
  - ATT is a global provider of non-powered landscaping products that make work easier for homeowners and professionals.
  - CBP is a leading manufacturer and marketer of residential, commercial and industrial garage doors to professional installing dealers and major home center retail chains.
- Telephonics Corporation ("Telephonics") designs, develops and manufactures high-technology integrated information, communication and sensor system solutions to military and commercial markets worldwide.
- Clopay Plastic Products Company ("Plastics") is an international leader in the development and production of embossed, laminated and printed specialty plastic films used in a variety of hygienic, health-care and industrial applications.

On October 17, 2011, Griffon acquired the pots and planters business of Southern Sales & Marketing Group, Inc. for $22,432. The acquired business, which markets its products under the Southern Patio brand name ("Southern Patio"), is a leading designer, manufacturer and marketer of landscape accessories. Southern Patio, which was integrated with ATT, had revenue exceeding $40,000 in 2011; acquired inventory was not significant.

Southern Patio's results of operations are not included in the Griffon consolidated balance sheet, statement of operations or cash flows, or footnotes relating thereto prior to October 17, 2011.

**OVERVIEW**

Revenue for the quarter ended March 31, 2012 was $482,431, compared to $476,129 in the prior year quarter. Net income was $2,027, or $0.04 per share, compared to a loss of $14,001, or $0.24 per share, in the prior year quarter.

The prior year quarter included the following:

- $26,164 ($16,813, net of tax, or $0.28 per share) charge related to debt extinguishment;
- $3,788 ($2,462, net of tax, or $0.04 per share) of increased cost of goods related to the sale of inventory recorded at fair value in connection with acquisition accounting for ATT;
- Restructuring charges of $1,212 ($788, net of tax, or $0.01 per share); and
- Discrete tax expense of $79, or $0.00 per share.

Excluding these items from the prior year quarter, Net income would have been $6,141, or $0.10 per share, compared to $2,027, or $0.04 per, in the current year quarter.

Revenue for the six months ended March 31, 2012 was $933,462, compared to $890,531 in the prior year. Net income was $4,513, or $0.08 per share, compared to a loss of $15,681, or $0.26 per share, in the prior year. Results for the six months ended March 31, 2012 results included:

- $1,795 ($1,167, net of tax, or $0.02 per share) of restructuring and related charges; and
- $178 ($116, net of tax, or $0.00 per share) of acquisition costs.

Results for the six months ended March 31, 2011 included:

- $26,164 ($16,813, net of tax, or $0.28 per share) charge related to debt extinguishment;
- $15,152 ($9,849, net of tax, or $0.17 per share) of increased cost of goods related to the sale of inventory recorded at fair value in connection with acquisition accounting for ATT;
- Restructuring charges of $2,605 ($1,693, net of tax, or $0.03 per share); and
- Discrete tax benefits of $241, or $0.00 per share.

Excluding these items from both periods, Net income would have been $5,796, or $0.10 per share, compared to $12,433, or $0.21 per share, in the prior year.

Griffon evaluates performance based on Earnings per share and Net income (loss) excluding restructuring charges, gain (loss) from debt extinguishment, discrete tax items, acquisition costs and costs related to the fair value of inventory for acquisitions. Griffon believes this information is useful to investors. The following table provides a reconciliation of Earnings (loss) per share and Net income (loss) to Adjusted earnings per share and Adjusted net income:

| | For the Three Months Ended March 31, | | For the Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Net income (loss) | $ 2,027 | $ (14,001) | $ 4,513 | $ (15,681) |
| Adjusting items, net of tax: | | | | |
| Loss from debt extinguishment, net | — | 16,813 | — | 16,813 |
| Fair value write-up of acquired inventory sold | — | 2,462 | — | 9,849 |
| Restructuring and related | — | 788 | 1,167 | 1,693 |
| Acquisition costs | — | — | 116 | — |
| Discrete tax benefits | — | 79 | — | (241) |
| Adjusted net income | $ 2,027 | $ 6,141 | $ 5,796 | $ 12,433 |
| Earnings (loss) per common share | $ 0.04 | $ (0.24) | $ 0.08 | $ (0.26) |
| Adjusting items, net of tax: | | | | |
| Loss from debt extinguishment, net | — | 0.28 | — | 0.28 |
| Fair value write-up of acquired inventory sold | — | 0.04 | — | 0.17 |
| Restructuring | — | 0.01 | 0.02 | 0.03 |
| Acquisition costs | — | — | 0.00 | — |
| Discrete tax benefits | — | 0.00 | — | (0.00) |
| Adjusted earnings per share | $ 0.04 | $ 0.10 | $ 0.10 | $ 0.21 |
| Weighted-average shares outstanding (in thousands) | 57,380 | 59,280 | 57,228 | 59,277 |

Note: Due to rounding, the sum of earnings (loss) per common share and adjusting items, net of tax, may not equal adjusted earnings per common share.

## RESULTS OF OPERATIONS

**Three and six months ended March 31, 2012 and 2011**

Griffon evaluates performance and allocates resources based on each segments' operating results before interest income or expense, income taxes, depreciation and amortization, gain (loss) from debt extinguishment, unallocated amounts, restructuring charges, acquisition costs and costs related to the fair value of inventory for acquisitions. Griffon believes this information is useful to investors.

The following table provides a reconciliation of Segment operating profit before depreciation, amortization, acquisition costs, restructuring and fair value write up of acquired inventory sold to Income (loss) before taxes:

| | For the Three Months Ended March 31, | | For the Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Segment profit before depreciation, amortization, restructuring, fair value write-up of acquired inventory sold and acquisition costs: | | | | |
| Home & Building Products | $ 15,853 | $ 19,619 | $ 33,603 | $ 37,153 |
| Telephonics | 15,336 | 12,929 | 31,024 | 25,335 |
| Plastics | 9,164 | 11,231 | 17,344 | 21,017 |
| Total Segment profit before depreciation, amortization, restructuring, fair value write-up of acquired inventory sold and acquisition costs | 40,353 | 43,779 | 81,971 | 83,505 |
| Unallocated amounts, less acquisition costs | (6,453) | (6,581) | (12,787) | (11,687) |
| Loss from debt extinguishment, net | — | (26,164) | — | (26,164) |
| Net interest expense | (12,919) | (11,222) | (25,919) | (22,376) |
| Segment depreciation and amortization | (16,222) | (15,453) | (31,640) | (29,210) |
| Restructuring charges | — | (1,212) | (1,795) | (2,605) |
| Fair value write-up of acquired inventory sold | — | (3,788) | — | (15,152) |
| Acquisition costs | — | — | (178) | — |
| Income (loss) before taxes | $ 4,759 | $ (20,641) | $ 9,652 | $ (23,689) |

**Home & Building Products**

| | Three Months Ended March 31, | | | | Six Months Ended March 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2011 | | 2012 | | 2011 | |
| Revenue: | | | | | | | | |
| ATT | $ 133,321 | | $ 145,644 | | $ 232,061 | | $ 239,841 | |
| CBP | 91,269 | | 86,675 | | 202,915 | | 190,741 | |
| Home & Building Products | $ 224,590 | | $ 232,319 | | $ 434,976 | | $ 430,582 | |
| Segment operating profit | $ 8,096 | 3.6% | $ 6,931 | 3.0% | $ 17,930 | 4.1% | $ 5,308 | 1.2% |
| Depreciation and amortization | 7,757 | | 7,688 | | 15,222 | | 14,088 | |
| Fair value write-up of acquired inventory sold | — | | 3,788 | | — | | 15,152 | |
| Restructuring charges | — | | 1,212 | | 273 | | 2,605 | |
| Acquisition costs | — | | — | | 178 | | — | |
| Segment profit before depreciation, amortization, restructuring and acquisition costs | $ 15,853 | 7.1% | $ 19,619 | 8.4% | $ 33,603 | 7.7% | $ 37,153 | 8.6% |

For the quarter ended March 31, 2012, revenue decreased $7,729, or 3%, compared to the prior year quarter mainly due to lower volume at ATT. ATT revenue decreased 8% primarily due to weak sales of snow tools, driven by the absence of snow throughout much of the U.S. and Canada this past winter, partially offset by the inclusion of Southern Patio in the current year. For the quarter, CBP revenue increased 5% due to higher volume and favorable mix.

For the quarter ended March 31, 2012, Segment operating profit was $8,096 compared to $6,931 in the prior year.

Excluding the impact of the fair value write-up of acquired inventory sold in the prior year, Segment operating profit decreased by $2,623 primarily due to the impact of lower ATT volume combined with higher material and fuel costs; these factors were partially offset by the inclusion of Southern Patio's operating profit in the current period's results, as well as improved production efficiencies.

For the six months ended March 31, 2012, revenue increased $4,394, or 1%. CBP revenue increased 6% due to increased volume and favorable mix, while ATT revenue declined 3% primarily due to the decreased snow tool volume, partially offset by the inclusion of Southern Patio in the current year results.

For the six months ended March 31, 2012, Segment operating profit was $17,930 compared to $5,308 in the prior year. Excluding the impact of the fair value write-up of acquired inventory sold, Segment operating profit decreased $2,530 from the prior year primarily due to lower snow tool volume and the impact of somewhat higher material and fuel costs, partially offset by the inclusion of Southern Patio's operating profit in the current period's results, as well as improved production efficiencies.

Current and prior year restructuring and other related charges were primarily related to facilities and for the prior year related compensation costs. The current year acquisition costs were related to the Southern Patio acquisition.

**Telephonics**

| | Three Months Ended March 31, | | | | Six Months Ended March 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2011 | | 2012 | | 2011 | |
| Revenue | $ 113,992 | | $ 113,525 | | $ 218,506 | | $ 211,804 | |
| Segment operating profit | $ 13,543 | 11.9% | $ 11,225 | 9.9% | $ 26,056 | 11.9% | $ 21,918 | 10.3% |
| Depreciation and amortization | 1,793 | | 1,704 | | 3,446 | | 3,417 | |
| Restructuring charges | — | | — | | 1,522 | | — | |
| Segment profit before depreciation, amortization and restructuring | $ 15,336 | 13.5% | $ 12,929 | 11.4% | $ 31,024 | 14.2% | $ 25,335 | 12.0% |

For the quarter ended March 31, 2012, Telephonics revenue increased $467 compared to the prior year quarter. For the quarters ended March 31, 2012 and 2011, revenue included $13,578 and $19,222, respectively, related to revenue for the Counter Remote Control Improvised Explosive Device Electronic Warfare 3.1 ("CREW 3.1") program where Telephonics serves as a contract manufacturer. Excluding CREW 3.1 from both quarters, revenue increased 6% over the prior year quarter primarily attributable to NETCOM communication products ($4,228), Maritime Radars ($2,789) and Ground Surveillance Radars ("GSR") ($2,139).

For the quarter ended March 31, 2012, Segment operating profit increased $2,318, or 21%, and operating profit margin increased 200 basis points in comparison to the prior year quarter primarily due to higher gross profits from program mix, partially offset by higher selling, general and administrative expenses due to the timing of proposal activities.

For the six months ended March 31, 2012, Telephonics revenue increased $6,702, or 3%, compared to the prior year. For the six months ended March 31, 2012 and 2011, revenue included $19,522 and $27,272, respectively, related to revenue for the CREW 3.1 program where Telephonics serves as a subcontractor; excluding CREW 3.1 revenue from both periods, Telephonics' current period revenue increased 8% over the prior year period primarily attributable to Ground Surveillance Radars ("GSR") ($6,385) and NETCOM ($7,606).

For the six months ended March 31, 2012, Segment operating profit increased by $4,138, or 19%, and operating profit margin increased 160 basis points from the prior year primarily due to higher gross profits from increased revenue, partially offset by higher selling, general and administrative expenses due to the timing of proposal activities and the restructuring charge. In the first quarter, Telephonics recognized $1,522 of restructuring and other related charges, primarily for one-time termination benefits and other personnel costs, in conjunction with changes to its organizational structure.

During the current quarter, Telephonics was awarded several new contracts and received incremental funding on current contracts totaling $168,000. Contract backlog was $434,000 at March 31, 2012 with 69% expected to be realized in the next 12 months. Backlog was $417,000 at September 30, 2011 and $441,000 at March 31, 2011. Backlog is defined as unfilled firm orders for products and services for which funding has been both authorized and appropriated by the customer or Congress, in the case of the U.S. government agencies.

**Plastics**

| | Three Months Ended March 31, | | | | Six Months Ended March 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | | **2011** | | **2012** | | **2011** | |
| Revenue | $ 143,849 | | $ 130,285 | | $ 279,980 | | $ 248,145 | |
| Segment operating profit | $ 2,492 | 1.7% | $ 5,170 | 4.0% | $ 4,372 | 1.6% | $ 9,312 | 3.8% |
| Depreciation and amortization | 6,672 | | 6,061 | | 12,972 | | 11,705 | |
| Segment profit before depreciation and amortization | $ 9,164 | 6.4% | $ 11,231 | 8.6% | $ 17,344 | 6.2% | $ 21,017 | 8.5% |

For the quarter ended March 31, 2012, Plastics revenue increased $13,564, or 10%, compared to the prior year quarter primarily due to higher unit volumes (12%) across all regions and the pass through of higher resin costs in customer selling prices (1%), partially offset by the unfavorable impact of foreign exchange translation (3%). Plastics adjusts customer selling prices based on underling resin costs on a delayed basis.

For the quarter ended March 31, 2012, Segment operating profit decreased $2,678, or 52%, compared to the prior year quarter. The decrease was primarily driven by previously disclosed start up costs related to expanded capacity initiatives in both Germany and Brazil; in both operations, such start up costs have included higher than normal levels of scrap. There have been no significant disruptions in customer service in connection with the scaling up of production of the newly installed assets. Improvements in operations in the newly expanded locations are on plan; however, the locations are contending with market conditions that are less robust than anticipated, and higher resin costs. The Company expects that Plastics will continue to trend towards normal efficiency levels during the second half of fiscal 2012.

For the six months ended March 31, 2012, Plastics revenue increased $31,835, or 13%, compared to the prior year period, primarily due to higher unit volumes (13%) in North America and Europe and the pass through of higher resin costs in customer selling prices (2%), partially offset by the unfavorable impact of foreign exchange translation (2%).

For the six months ended March 31, 2012, Segment operating profit decreased $4,940, or 53%, compared to the prior year mainly due to the same reasons discussed for the current quarter.

**Unallocated**

For the quarter ended March 31, 2012, unallocated amounts totaled $6,453 compared to $6,581 in the prior year; the increase was primarily related to higher current quarter loan fees. For the six months ended March 31, 2012, unallocated amounts totaled $12,788 compared to $11,687 in the prior year; the increase was primarily related to higher prior year investment income and higher current period loan fees.

**Segment Depreciation and Amortization**

Segment depreciation and amortization increased $769 and $2,430, respectively, for the three and six-month periods ended March 31, 2012 in comparison to the comparable prior year periods primarily due to capital spending in 2011.

**Other income (expense)**

For the quarters ended March 31, 2012 and 2011, Other income included net foreign exchange losses of $404 and $150, respectively, and $107 and $168, respectively, of investment income.

For the six months ended March 31, 2012 and 2011, Other income included net foreign exchange losses of $668 and $27, respectively, and $172 and $1,307, respectively, of investment income.

During the 2011 quarter, in connection with the termination of the Term Loan, ABL and Telephonics credit agreement, Griffon recorded a $26,164 loss on extinguishment of debt consisting of $21,617 of deferred financing charges and original issuer discounts, a call premium of $3,703 on the Term Loan, and $844 of swap and other breakage costs.

**Provision for income taxes**

The tax rate for the quarter ended March 31, 2012 was a provision of 57.4 %, compared to a 32.2% benefit in the prior year quarter. The prior year benefit arose on the pretax loss for the quarter, which arose mainly in connection with the debt refinancing, completed in March 2011. The current year rate reflects the impact of permanent differences that are not deductible in determining taxable income, mainly limited deductibility of restricted stock, tax reserves and a change in earnings mix. There were no discrete period items in the current quarter.

The tax rate for the six months ended March 31, 2012 was a provision of 53.2%, compared to a 33.8% benefit in 2011. The prior year benefit arose on the pretax loss. The 2012 rate reflects the impact of permanent differences, mainly limited deductibility of restricted stock, tax reserves and a change in earnings mix; the 2011 rate benefited $241 primarily from the retroactively extended research tax credit signed into law on December 22, 2010. There were no discrete items in the current period.

**Stock based compensation**

For the three and six months ended March 31, 2012, stock based compensation expense totaled $2,651 and $4,908, respectively. For the three and six months ended March 31, 2011, stock based compensation expense totaled $2,624 and $4,647, respectively.

**Discontinued operations – Installation Services**

There was no revenue or income from discontinued operations of the Installation Services' business for the three and six months ended March 31, 2012 and 2011.

## LIQUIDITY AND CAPITAL RESOURCES

Management assesses Griffon's liquidity in terms of its ability to generate cash to fund its operating, investing and financing activities. Significant factors affecting liquidity are: cash flows from operating activities, capital expenditures, acquisitions, dispositions, bank lines of credit and the ability to attract long-term capital with satisfactory terms. Griffon remains in a strong financial position with sufficient liquidity available for reinvestment in existing businesses and strategic acquisitions while managing its capital structure on both a short-term and long-term basis.

The following table is derived from the Consolidated Statements of Cash Flows:

| **Cash Flows from Continuing Operations** | **Six Months Ended March 31,** | |
|---|---|---|
| ***(in thousands)*** | **2012** | **2011** |
| Net Cash Flows Provided by (Used In): | | |
| Operating activities | $ (2,208) | $ (35,699) |
| Investing activities | (62,442) | (37,735) |
| Financing activities | (13,652) | 111,388 |

Cash used in continuing operations for the six months ended March 31, 2012 were $2,208 compared to $35,699 in the prior year. Current assets net of current liabilities, excluding short-term debt and cash, increased to $415,744 at March 31, 2012 compared to $366,511 at September 30, 2011, primarily as a result of increases in accounts receivable and inventories. Operating cash flows were impacted by increases in accounts receivable and inventories as well as the decrease in accounts payable and accrued liabilities primarily due to normal HBP seasonality.

During the six months ended March 31, 2012, Griffon used cash for investing activities of $62,442 compared to $37,735 in the prior year; the increase was primarily due to the acquisition of Southern Patio with capital expenditures decreasing $1,532 from the comparable prior year period. Griffon expects capital spending to be in the range of $65,000 to $70,000 for 2012.

During the six months ended March 31, 2012, cash used in financing activities totaled $13,652 compared to cash provided by financing activities of $111,388 in the prior year. During the first and second quarters of 2012, the Board of Directors approved two quarterly cash dividends of $0.02 per common share each, which were paid on December 27, 2011 and March 27, 2012, to holders of common stock as of the close of business on November 29, 2011 and February 28, 2012, respectively. In 2011, Griffon issued $140,988 of debt, net of payments, which included issuing $550,000 of 7.125% Senior Notes due 2018 and repaying $430,000 of existing loans.

On May 8, 2012, the Board of Directors declared a third quarterly cash dividend of $0.02 per share, payable on June 26, 2012 to shareholders of record as of the close of business on May 29, 2012.

Payments related to Telephonics revenue are received in accordance with the terms of development and production subcontracts; certain of such receipts are progress or performance based payments. Plastics customers are generally substantial industrial companies whose payments have been steady, reliable and made in accordance with the terms governing such sales. Plastics sales satisfy orders that are received in advance of production, typically with payment terms established in advance. With respect to HBP, there have been no material adverse impacts on payment for sales.

A small number of customers account for, and are expected to continue to account for, a substantial portion of Griffon's consolidated revenue. For the six months ended March 31, 2012:

- The United States Government and its agencies, through either prime or subcontractor relationships, represented 19% of Griffon's consolidated revenue and 79% of Telephonics' revenue.
- Procter & Gamble represented 13% of Griffon's consolidated revenue and 44% of Plastics' revenue.
- The Home Depot represented 11% of Griffon's consolidated revenue and 23% of Home & Building Products' revenue.

No other customers exceeded 9% of consolidated revenue. Future operating results will continue to substantially depend on the success of Griffon's largest customers and Griffon's relationships with them. Orders from these customers are subject to fluctuation and may be reduced materially. The loss of all or a portion of volume from any one of these customers could have a material adverse impact on Griffon's liquidity and operations.

| **Cash, Cash Equivalents and Debt** *(in thousands)* | **At March 31, 2012** | **At September 30, 2011** |
|---|---|---|
| Cash and equivalents | $ 164,879 | $ 243,029 |
| Notes payables and current portion of long-term debt | 16,255 | 25,164 |
| Long-term debt, net of current maturities | 689,011 | 688,247 |
| Debt discount | 18,183 | 19,693 |
| Total debt | 723,449 | 733,104 |
| Net cash and equivalents (debt) | **$ (558,570)** | **$ (490,075)** |

On March 17, 2011, in an unregistered offering through a private placement under Rule 144A, Griffon issued, at par, $550,000 of 7.125% Senior Notes due in 2018; interest is payable semi-annually. On August 9, 2011, Griffon exchanged all of the Senior Notes for substantially identical Senior Notes registered under the Securities Act of 1933 ("Senior Notes"), via an exchange offer.

The Senior Notes can be redeemed prior to April 1, 2014 at a price of 100% of principal plus a make-whole premium and accrued interest; on or after April 1, 2014, the Senior Notes can be redeemed at a certain price (declining from 105.344% of principal on or after April 1, 2014 to 100% of principal on or after April 1, 2017), plus accrued interest. Proceeds from the Senior Notes were used to pay down the outstanding borrowings under a senior secured term loan facility and two senior secured revolving credit facilities of certain of the Company's subsidiaries. The Senior Notes are senior unsecured obligations of Griffon guaranteed by certain domestic subsidiaries, and are subject to certain covenants, limitations and restrictions.

On March 18, 2011, Griffon entered into a five-year $200,000 Revolving Credit Facility ("Credit Agreement"), which includes a letter of credit sub-facility with a limit of $50,000, a multi-currency sub-facility of $50,000 and a swingline sub-facility with a limit of $30,000. Borrowings under the Credit Agreement may be repaid and re-borrowed at any time, subject to final maturity of the facility or the occurrence of a default or event of default under the Credit Agreement. Interest is payable on borrowings at either a LIBOR or base rate benchmark rate plus an applicable margin, which will adjust based on financial performance. The margins are 1.75% for base rate loans and 2.75% for LIBOR loans, in each case without a floor. The Credit Agreement has certain financial maintenance tests including a maximum total leverage ratio, a maximum senior secured leverage ratio and a minimum interest coverage ratio as well as customary affirmative and negative covenants and events of default. The Credit Agreement also includes certain restrictions, such as limitations on the incurrence of indebtedness and liens and the making of restricted payments and investments. Borrowings under the Credit Agreement are guaranteed by certain domestic subsidiaries and are secured, on a first priority basis, by substantially all assets of the Company and the guarantors.

At March 31, 2012, there were $19,523 of standby letters of credit outstanding under the Credit Agreement; $180,477 was available for borrowing at that date.

On December 21, 2009, Griffon issued $100,000 principal of 4% convertible subordinated notes due 2017 (the "2017 Notes"). The initial conversion rate of the 2017 Notes was 67.0799 shares of Griffon's common stock per $1,000 principal amount of notes, corresponding to an initial conversion price of $14.91 per share, a 23% conversion premium over the $12.12 closing price on December 15, 2009. When a cash dividend is declared that would result in an adjustment to the conversion ratio of less than 1%, any adjustment to the conversion ratio is deferred until the first to occur of (i) actual conversion, (ii) the 42nd trading day prior to maturity of the notes, and (iii) such time as the cumulative adjustment equals or exceeds 1%. As of June 26, 2012, aggregate dividends of $0.06 per share would result in a cumulative change in the conversion rate of approximately 0.6%. Griffon used 8.75% as the nonconvertible debt-borrowing rate to discount the 2017 Notes and will amortize the debt discount through January 2017. At issuance, the debt component of the 2017 Notes was $75,437 and debt discount was $24,563. At March 31, 2012 and September 30, 2011, the 2017 Notes had a capital in excess of par component, net of tax, of $15,720.

On December 20, 2010, Griffon entered into two second lien real estate mortgages to secure new loans totaling $11,834. The loans mature in February 2016, are collateralized by the related properties and are guaranteed by Griffon. The loans bear interest at a rate of LIBOR plus 3% with the option to swap to a fixed rate.

Griffon has other real estate mortgages, collateralized by real property, which bear interest at 6.3% and mature in 2016. On October 3, 2011, the mortgage at Russia, Ohio was paid in full, on maturity.

Griffon's Employee Stock Ownership Plan ("ESOP") entered into a loan agreement in August 2010 to borrow $20,000 over a one-year period. The proceeds were used to purchase 1,874,737 shares of Griffon common stock in the open market for $19,973. The loan bears interest at a) LIBOR plus 2.5% or b) the lender's prime rate, at Griffon's option. In November 2011, Griffon exercised an option to convert the outstanding loan to a five-year term loan; principal is payable in quarterly installments of $250, beginning December 2011, with a balloon payment of $15,223 due at maturity (November 2016). The loan is secured by shares purchased with the proceeds of the loan, and repayment is guaranteed by Griffon. At March 31, 2012, $19,473 was outstanding.

In addition, the ESOP has a loan agreement, guaranteed by Griffon, which requires quarterly principal payments of $156 and interest through the expiration date of September 2012 at which time the $3,900 balance of the loan, and any outstanding interest, will be payable. The primary purpose of this loan was to purchase 547,605 shares of Griffon's common stock in October 2008. The loan is secured by shares purchased with the proceeds of the loan, and repayment is guaranteed by Griffon. The loan bears interest at rates based upon the prime rate or LIBOR. At March 31, 2012, $4,063 was outstanding. Griffon is in process of extending the loan.

In October 2006, CBP entered into a capital lease totaling $14,290 for real estate in Troy, Ohio. The lease matures in 2021, bears interest at a fixed rate of 5.1%, is secured by a mortgage on the real estate and is guaranteed by Griffon.

At March 31, 2012 and September 30, 2011, Griffon had $532 of 4% convertible subordinated notes due 2023 (the "2023 Notes") outstanding. Holders of the 2023 Notes may require Griffon to repurchase all or a portion of their 2023 Notes on July 18, 2013 and 2018, if Griffon's common stock price is below the conversion price of the 2023 Notes, as well as upon a change in control. An adjustment to the conversion rate will be required as the result of payment of a cash dividend only if such adjustment would be greater than 1% (or at such time as the cumulative impact on the conversion rate reaches 1% in the aggregate). As of June 26, 2012, aggregate dividends of $0.06 per share would result in a cumulative change in the conversion rate of approximately 0.6%. At March 31, 2012 and September 30, 2011, the 2023 Notes had no capital in excess of par value component as substantially all of these notes were put to Griffon at par and settled in July 2010.

In November 2010, Clopay Europe GMBH ("Clopay Europe") entered into a €10,000 revolving credit facility and a €20,000 term loan. The facility accrues interest at Euribor plus 2.35% per annum, and the term loan accrues interest at Euribor plus 2.45% per annum. The revolving facility matures in November 2012, but is renewable upon mutual agreement with the bank. In July 2011, the full €20,000 was drawn on the Term Loan, with a portion of the proceeds used to repay borrowings under the revolving credit facility. The term loan is payable in ten equal quarterly installments which began in September 2011, with maturity in December 2013. Under the term loan, Clopay Europe is required to maintain a certain minimum equity to assets ratio and keep leverage below a certain level, defined as the ratio of total debt to EBITDA. There were no borrowings outstanding under the revolving facility at March 31, 2012, with €10,000 available for borrowing.

In February 2012, Clopay do Brazil, a subsidiary of Plastics, borrowed $4,000 at a rate of 104.5% of Brazilian CDI. The loan was used to refinance existing loans and is collateralized by accounts receivable and a 50% guaranty by Plastics. Starting in August 2012, the loan is to be repaid in four equal, semi-annual installments. Clopay do Brazil also maintains a line of credit of approximately $1,900. Interest on borrowings accrue at a rate of Brazilian CDI plus 6.0%. At March 31, 2012 there was approximately $588 borrowed under the line.

In connection with the ATT acquisition, Clopay Ames True Temper Holding Corp. ("Clopay Ames"), a subsidiary of Griffon, entered into the $375,000 secured term Loan ("Term Loan") and a $125,000 asset based lending agreement ("ABL").

On November 30, 2010, Clopay Ames, as required under the Term Loan agreement, entered into an interest rate swap on a notional amount of $200,000 of the Term Loan. The agreement fixed the LIBOR component of the Term Loan interest rate at 2.085% for the notional amount of the swap.

At March 31, 2012, Griffon and its subsidiaries were in compliance with the terms and covenants of its credit and loan agreements.

In August 2011, Griffon's Board of Directors authorized the repurchase of up to $50,000 of Griffon's outstanding common stock. Under this repurchase program, the Company may, from time to time, purchase shares of its common stock, depending upon market conditions, in open market or privately negotiated transactions, including pursuant to a 10b5-1 plan. In the first quarter of 2012, Griffon purchased 283,400 shares of common stock, for a total of $2,351, or $8.29 per share; in total, Griffon has purchased 448,779 shares of common stock, for a total of $3,660, or $8.16 per share, under this repurchase program. $46,340 remains under the $50,000 authorization.

Griffon substantially concluded its remaining disposal activities for the Installation Services business, discontinued in 2008, in the second quarter of 2009 and does not expect to incur significant expense in the future. Future net cash outflows to satisfy liabilities related to disposal activities accrued at March 31, 2012 are estimated to be $3,334. Certain of Griffon's subsidiaries are also contingently liable for approximately $568 related to certain facility leases with varying terms through 2012 that were assigned to the respective purchasers of certain of the Installation Services businesses. Griffon does not believe it has a material exposure related to these contingencies.

During the six months ended March 31, 2012 and 2011, Griffon used cash for discontinued operations of $764 and $561, respectively, related to settling remaining Installation Services liabilities.

## CRITICAL ACCOUNTING POLICIES

The preparation of Griffon's consolidated financial statements in conformity with GAAP requires Griffon to make estimates and judgments that affect reported amounts of assets, liabilities, sales and expenses, and the related disclosures of contingent assets and contingent liabilities at the date of the financial statements. Griffon evaluates these estimates and judgments on an ongoing basis and base the estimates on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities, as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Griffon's actual results may materially differ from these estimates. There have been no changes in Griffon's critical accounting policies from September 30, 2011.

Griffon's significant accounting policies and procedures are explained in the Management Discussion and Analysis section in the Annual Report on Form 10-K for the year ended September 30, 2011. In the selection of the critical accounting policies, the objective is to properly reflect the financial position and results of operations for each reporting period in a consistent manner that can be understood by the reader of the financial statements. Griffon considers an estimate to be critical if it is subjective and if changes in the estimate using different assumptions would result in a material impact on the financial position or results of operations of Griffon.

## RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board issues, from time to time, new financial accounting standards, staff positions and emerging issues task force consensus. See the Notes to Condensed Consolidated Financial Statements for a discussion of these matters.

## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements other than statements of historical fact, including, without limitation, statements regarding Griffon's financial position, business strategy and the plans and objectives of Griffon's management for future operations, are forward-looking statements. Without limiting the generality of the foregoing, in some cases you can identify forward-looking statements by terminology such as "may," "will," "should," "would," "could," "anticipate," "believe," "estimate," "expect," "plan," "intend" or the negative of these expressions or comparable terminology. Such forward-looking statements involve important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ materially from those expressed in any forward-looking statements. These risks and uncertainties include, among others: general domestic and international business, financial market and economic conditions; the credit market; the housing market; the results of Griffon's restructuring and disposal efforts; competitive factors; pricing pressures for resin and steel; capacity and supply constraints; weather patterns; Griffon's ability to identify and successfully consummate and integrate value-adding acquisition opportunities; the ability of Griffon to remain in compliance with the covenants under its respective credit facilities; and the inherent uncertainties relating to resolution of ongoing legal and environmental matters from time to time. Additional important factors that could cause the statements made in this Quarterly Report on Form 10-Q or the actual results of operations or financial condition of Griffon to differ are discussed under the caption "Item 1A. Risk Factors" and "Special Notes Regarding Forward-Looking Statements" in Griffon's Annual Report on Form 10-K for the year ended September 30, 2011. Some of the factors are also discussed elsewhere in this Quarterly Report on Form 10-Q and have been or may be discussed from time to time in Griffon's filings with the U.S. Securities and Exchange Commission. Readers are cautioned not to place undue reliance on Griffon's forward-looking statements. Griffon does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect future events or circumstances or to reflect the occurrence of unanticipated events.

**Item 3 - Quantitative and Qualitative Disclosure About Market Risk**

**Interest Rates**

Griffon’s exposure to market risk for changes in interest rates relates primarily to variable interest rate debt and investments in cash and cash equivalents.

Certain of Griffon’s credit facilities have a Libor-based variable interest rate. Due to the current and expected level of borrowings under these facilities, a 100 basis point change in Libor would not have a material impact on Griffon’s results of operations or liquidity.

**Foreign Exchange**

Griffon conducts business in various non-U.S. countries, primarily in Canada, Mexico, Europe, Brazil, Australia and China; therefore, changes in the value of the currencies of these countries affect the financial position and cash flows when translated into U.S. Dollars. Griffon has generally accepted the exposure to exchange rate movements relative to its non-U.S. operations. Griffon may, from time to time, hedge its currency risk exposures. A change of 5% or less in the value of all applicable foreign currencies would not have a material effect on Griffon’s financial position and cash flows.

**Item 4 - Controls and Procedures**

Under the supervision and with the participation of Griffon’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), Griffon’s disclosure controls and procedures, as defined by Exchange Act Rule 13a-15(e) and 15d-15(e), were evaluated as of the end of the period covered by this report. Based on that evaluation, Griffon’s CEO and CFO concluded that Griffon’s disclosure controls and procedures were effective at the reasonable assurance level.

During the period covered by this report, there were no changes in Griffon’s internal control over financial reporting which materially affected, or are reasonably likely to materially affect, Griffon’s internal control over financial reporting.

**Limitations on the Effectiveness of Controls**

Griffon believes that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all controls issues and instances of fraud, if any, within a company have been detected. Griffon’s disclosure controls and procedures, as defined by Exchange Act Rule 13a-15(e) and 15d-15(e), are designed to provide reasonable assurance of achieving their objectives.

## PART II - OTHER INFORMATION

**Item 1 Legal Proceedings**

None

**Item 1A Risk Factors**

In addition to the other information set forth in this report, carefully consider the factors discussed in Item 1A to Part I in Griffon's Annual Report on Form 10-K for the year ended September 30, 2011, which could materially affect Griffon's business, financial condition or future results. The risks described in Griffon's Annual Report on Form 10-K are not the only risks facing Griffon. Additional risks and uncertainties not currently known to Griffon or that Griffon currently deems to be immaterial also may materially adversely affect Griffon's business, financial condition and/or operating results.

**Item 2 Unregistered Sales of Equity Securities and Use of Proceeds**

(c)

### ISSUER PURCHASES OF EQUITY SECURITIES

| Period | (a) Total Number of Shares (or Units) Purchased | (b) Average Price Paid Per Share (or Unit) | (c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| **January 1 - 31, 2012** | — | $ — | — | |
| **February 1 - 29, 2012** | — | — | — | |
| **March 1 - 31, 2012** | — | — | — | |
| **Total** | — | $ — | — | $ 46,339,708 |

1. On August 2, 2011, the Company's Board of Directors authorized the repurchase of up to an additional $50,000,000 of Griffon common stock; as of March 31, 2012, $46,339,708 remained available for the purchase of Griffon common stock under this program.

Griffon's revolving credit facility, as well as the indenture governing Griffon's 7.125% Senior Notes due 2018, each contain limitations regarding the making of restricted payments (which include cash dividends and share repurchases).

**Item 3 Defaults upon Senior Securities**

None

**Item 4 Mine Safety Disclosures**

Not Applicable

**Item 5 Other Information**

None

**Item 6 Exhibits**

**10.1** Amended and Restated Restricted Share Award letter made as of January 10, 2012 by and between Griffon Corporation and Ronald J. Kramer (Exhibit 99.1 to Current Report on Form 8-K filed January 10, 2012 (Commission File No. 1-06620)).

**10.2** Amended and Restated Restricted Share Award letter made as of January 10, 2012 by and between Griffon Corporation and Douglas J. Wetmore (Exhibit 99.2 to Current Report on Form 8-K filed January 10, 2012 (Commission File No. 1-06620)).

| | |
|---|---|
| **31.1** | Certification pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| **31.2** | Certification pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| **32** | Certifications pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| **101.INS** | XBRL Instance Document* |
| **101.SCH** | XBRL Taxonomy Extension Schema Document* |
| **101.CAL** | XBRL Taxonomy Extension Calculation Document* |
| **101.DEF** | XBRL Taxonomy Extension Definitions Document* |
| **101.LAB** | XBRL Taxonomy Extension Labels Document* |
| **101.PRE** | XBRL Taxonomy Extension Presentation Document* |
| * | In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be "furnished" and not "filed." |

## 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.

GRIFFON CORPORATION

/s/ Douglas J. Wetmore

Douglas J. Wetmore
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Brian G. Harris

Brian G. Harris
Chief Accounting Officer
(Principal Accounting Officer)

Date: May 9, 2012

EXHIBIT INDEX

| | |
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**Exhibit 31.1**

## CERTIFICATION

I, Ronald J. Kramer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Griffon Corporation;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this 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 fiscal 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; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the 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: May 9, 2012

/s/ Ronald J. Kramer

Ronald J. Kramer
President and Chief Executive
Officer
(Principal Executive Officer)

**Exhibit 31.2**

## CERTIFICATION

I, Douglas J. Wetmore, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Griffon Corporation;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this 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 fiscal 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; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the 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: May 9, 2012

/s/ Douglas J. Wetmore

Douglas J. Wetmore
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32**

**CERTIFICATIONS PURSUANT TO**

**18 U.S.C. SECTION 1350**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ronald J. Kramer, President and Chief Executive Officer of Griffon Corporation, hereby certify that the Form 10-Q of Griffon Corporation for the period ended March 31, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Griffon Corporation.

/s/ Ronald J. Kramer

Name: Ronald J. Kramer

Date: May 9, 2012

I, Douglas J. Wetmore, Executive Vice President and Chief Financial Officer of Griffon Corporation, hereby certify that the Form 10-Q of Griffon Corporation for the period ended March 31, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Griffon Corporation.

/s/ Douglas J. Wetmore

Name: Douglas J. Wetmore

Date: May 9, 2012

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