

**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, 2013

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

(State or other jurisdiction of
incorporation or organization)

11-1893410

(I.R.S. Employer
Identification No.)

712 Fifth Ave, 18th Floor, New York, New York

(Address of principal executive offices)

10019

(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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(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

The number of shares of common stock outstanding at April 30, 2013 was 59,933,091.

Griffon Corporation and Subsidiaries

Contents

Page

PART I - FINANCIAL INFORMATION

Item 1 – Financial Statements

Condensed Consolidated Balance Sheets at March 31, 2013 (unaudited) and September 30, 2012 1

Condensed Consolidated Statement of Shareholders' Equity for the Six Months Ended March 31, 2013 (unaudited) 1

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three and Six Months Ended March 31, 2013 and 2012 (unaudited) 2

Condensed Consolidated Statements of Cash Flows for the Six Months Ended March 31, 2013 and 2012 (unaudited) 3

Notes to Condensed Consolidated Financial Statements (unaudited) 4

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations 27

Item 3 - Quantitative and Qualitative Disclosures about Market Risk 38

Item 4 - Controls & Procedures 38

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings 39

Item 1A – Risk Factors 39

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds 39

Item 3 – Defaults Under Senior Securities 39

Item 4 – Mine Safety Disclosures 39

Item 5 – Other Information 39

Item 6 – Exhibits 40

Signatures 41

Exhibit Index 42

Part I – Financial Information
Item 1 – Financial Statements

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

	(Unaudited) At March 31, 2013	At September 30, 2012
CURRENT ASSETS		
Cash and equivalents	\$ 116,922	\$ 209,654
Accounts receivable, net of allowances of \$5,538 and \$5,433	302,281	239,857
Contract costs and recognized income not yet billed, net of progress payments of \$3,199 and \$3,748	95,039	70,777
Inventories, net	257,047	257,868
Prepaid and other current assets	54,911	47,472
Assets of discontinued operations	556	587
Total Current Assets	826,756	826,215
PROPERTY, PLANT AND EQUIPMENT, net	350,832	356,879
GOODWILL	358,334	358,372
INTANGIBLE ASSETS, net	225,162	230,473
OTHER ASSETS	28,060	31,317
ASSETS OF DISCONTINUED OPERATIONS	2,665	2,936
Total Assets	\$ 1,791,809	\$ 1,806,192
CURRENT LIABILITIES		
Notes payable and current portion of long-term debt	\$ 19,522	\$ 17,703
Accounts payable	160,738	141,704
Accrued liabilities	105,573	110,337
Liabilities of discontinued operations	1,954	3,639
Total Current Liabilities	287,787	273,383
LONG-TERM DEBT, net of debt discount of \$14,962 and \$16,607	678,773	681,907
OTHER LIABILITIES	184,344	193,107
LIABILITIES OF DISCONTINUED OPERATIONS	3,110	3,643
Total Liabilities	1,154,014	1,152,040
COMMITMENTS AND CONTINGENCIES - See Note 18		
SHAREHOLDERS' EQUITY		
Total Shareholders' Equity	637,795	654,152
Total Liabilities and Shareholders' Equity	\$ 1,791,809	\$ 1,806,192

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

	COMMON STOCK		CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	TREASURY SHARES		ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFERRED ESOP & OTHER COMPENSATION	Total
	SHARES	PAR VALUE			SHARES	COST			
(in thousands)									
Balance at 9/30/2012	76,509	\$ 19,127	\$ 482,009	\$ 436,421	15,621	\$ (242,081)	\$ (19,559)	\$ (21,765)	\$ 654,152
Net loss	—	—	—	(261)	—	—	—	—	(261)
Dividend	—	—	—	(2,938)	—	—	—	—	(2,938)
Tax effect from exercise/vesting of equity awards, net	—	—	150	—	—	—	—	—	150
Amortization of deferred compensation	—	—	—	—	—	—	—	1,006	1,006
Common stock acquired	—	—	—	—	1,984	(22,109)	—	—	(22,109)
Restricted stock awards granted, net	1,102	276	(478)	—	—	—	—	—	(202)
ESOP allocation of common stock	—	—	100	—	—	—	—	—	100
Stock-based compensation	—	—	6,298	—	—	—	—	—	6,298
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	1,599	—	1,599
Balance at 3/31/2013	77,611	\$ 19,403	\$ 488,079	\$ 433,222	17,605	\$ (264,190)	\$ (17,960)	\$ (20,759)	\$ 637,795

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

GRIFFON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share data)
(Unaudited)

	<u>Three Months Ended March 31,</u>		<u>Six Months Ended March 31,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenue	\$ 488,743	\$ 482,431	\$ 912,492	\$ 933,462
Cost of goods and services	383,246	379,630	709,325	727,953
Gross profit	105,497	102,801	203,167	205,509
Selling, general and administrative expenses	86,059	86,152	168,278	169,219
Restructuring and other related charges	9,336	—	10,444	1,795
Total operating expenses	95,395	86,152	178,722	171,014
Income from operations	10,102	16,649	24,445	34,495
Other income (expense)				
Interest expense	(13,060)	(13,005)	(26,167)	(26,068)
Interest income	151	86	179	149
Other, net	422	1,029	908	1,076
Total other income (expense)	(12,487)	(11,890)	(25,080)	(24,843)
Income (loss) before taxes	(2,385)	4,759	(635)	9,652
Provision (benefit) for income taxes	(1,566)	2,732	(374)	5,139
Net income (loss)	\$ (819)	\$ 2,027	\$ (261)	\$ 4,513
Basic earnings (loss) per common share	\$ (0.02)	\$ 0.04	\$ (0.00)	\$ 0.08
Weighted-average shares outstanding	54,345	56,037	54,749	56,031
Diluted earnings (loss) per common share	\$ (0.02)	\$ 0.04	\$ (0.00)	\$ 0.08
Weighted-average shares outstanding	54,345	57,380	54,749	57,228
Net income (loss)	\$ (819)	\$ 2,027	\$ (261)	\$ 4,513
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustments	(5,924)	9,620	(2,921)	5,048
Pension amortization	489	523	4,349	1,040
Gain on cash flow hedge	171	—	171	—
Total other comprehensive income (loss), net of taxes	(5,264)	10,143	1,599	6,088
Comprehensive income (loss)	\$ (6,083)	\$ 12,170	\$ 1,338	\$ 10,601

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,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (261)	\$ 4,513
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	35,038	31,836
Stock-based compensation	6,298	4,908
Fixed asset impairment charges - restructuring	3,122	—
Provision for losses on accounts receivable	440	611
Amortization/write-off of deferred financing costs and debt discounts	3,102	3,021
Deferred income taxes	(592)	(807)
(Gain) loss on sale/disposal of assets	(801)	29
Change in assets and liabilities, net of assets and liabilities acquired:		
Increase in accounts receivable and contract costs and recognized income not yet billed	(87,531)	(14,648)
(Increase) decrease in inventories	90	(17,003)
Decrease in prepaid and other assets	411	905
Increase (decrease) in accounts payable, accrued liabilities and income taxes payable	7,080	(19,482)
Other changes, net	(379)	3,909
Net cash used in operating activities	<u>(33,983)</u>	<u>(2,208)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(30,995)	(40,205)
Acquired business, net of cash acquired	—	(22,432)
Proceeds from sale of assets	1,216	195
Net cash used in investing activities	<u>(29,779)</u>	<u>(62,442)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(2,938)	(2,374)
Purchase of shares for treasury	(22,109)	(2,350)
Proceeds from issuance of long-term debt	303	4,000
Payments of long-term debt	(5,400)	(10,398)
Change in short-term borrowings	2,157	(3,331)
Financing costs	(759)	(4)
Tax effect from exercise/vesting of equity awards, net	150	834
Other, net	242	(29)
Net cash used in financing activities	<u>(28,354)</u>	<u>(13,652)</u>
CASH FLOWS FROM DISCONTINUED OPERATIONS:		
Net cash used in operating activities	(478)	(764)
Net cash used in discontinued operations	<u>(478)</u>	<u>(764)</u>
Effect of exchange rate changes on cash and equivalents	<u>(138)</u>	<u>916</u>
NET DECREASE IN CASH AND EQUIVALENTS	(92,732)	(78,150)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	209,654	243,029
CASH AND EQUIVALENTS AT END OF PERIOD	<u>\$ 116,922</u>	<u>\$ 164,879</u>

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

GRIFFON CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(US dollars and non US currencies in thousands, except share and per share data)
(Unaudited)

(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. Griffon, to further diversify, 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 Company, Inc. ("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, Inc. ("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, 2012, 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; for this and other reasons, the financial results of the Company for any interim period are not necessarily indicative of the results for the full year.

The condensed consolidated balance sheet information at September 30, 2012 was derived from the audited financial statements included in Griffon's Annual Report on Form 10-K for the year ended September 30, 2012.

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

The preparation of financial statements in conformity with U.S. GAAP 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 and 2017 4% convertible notes approximated \$594,000 and \$108,800, respectively, on March 31, 2013. Fair values were based upon quoted market prices (level 1 inputs).

Insurance contracts and trading securities with values of \$3,941 and \$2,453 at March 31, 2013, respectively, 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, 2013, 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 and a fair value loss of \$14 and \$16 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, 2013, respectively. All contracts expire in 15 to 45 days.

In the normal course of business, Griffon's operations are exposed to the effect of changes in foreign currency exchange rates. In order to manage these risks, Griffon may enter into various derivative contracts such as foreign currency exchange contracts, including forwards and options. During the second quarter of 2013, Clopay Europe entered into a forward exchange contract to receive \$3,375 USD on April 3, 2013 in exchange for 2,500 EUR at the fixed exchange rate of 1.35 USD/EUR. This contract was created in order to lock into a foreign currency rate for a planned settlement in early April of inter-company liabilities payable in USD. At the inception, the hedge was deemed effective as a cash flow hedge and Griffon recognized a deferred gain of \$171, net of tax in Other comprehensive income (loss) as of March 31, 2013.

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 (“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 adjustment to reflect fair market values assigned to assets purchased, have been included in the consolidated financial statements from date of acquisition.

The following table summarizes the fair values of the Southern Patio assets as of the date of acquisition:

Inventory	\$	3,673
PP&E		416
Goodwill		4,655
Amortizable intangible assets		11,077
Indefinite life intangible assets		<u>2,611</u>
Total assets acquired	\$	<u>22,432</u>

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	<u>11,077</u>	25
	<u>\$ 18,343</u>	

NOTE 4 - INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out or average) or market.

The following table details the components of inventory:

	At March 31, 2013	At September 30, 2012
Raw materials and supplies	\$ 72,643	\$ 63,596
Work in process	70,132	67,077
Finished goods	<u>114,272</u>	<u>127,195</u>
Total	<u>\$ 257,047</u>	<u>\$ 257,868</u>

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

The following table details the components of property, plant and equipment, net:

	At March 31, 2013	At September 30, 2012
Land, building and building improvements	\$ 123,153	\$ 125,330
Machinery and equipment	638,497	622,983
Leasehold improvements	35,541	34,890
	<u>797,191</u>	<u>783,203</u>
Accumulated depreciation and amortization	(446,359)	(426,324)
Total	\$ 350,832	\$ 356,879

Depreciation and amortization expense for property, plant and equipment was \$15,695 and \$14,282 for the quarters ended March 31, 2013 and 2012, respectively, and \$31,066 and \$27,771 for the six months ended March 31, 2013, and 2012, respectively.

No event or indicator of impairment occurred during the quarter ended March 31, 2013, which would require additional impairment testing of property, plant and equipment.

NOTE 6 – GOODWILL AND OTHER INTANGIBLES

The following table provides changes in the carrying value of goodwill by segment during the six months ended March 31, 2013:

	At September 30, 2012	Other adjustments including currency translations	At March 31, 2013
Home & Building Products	\$ 269,802	\$ —	\$ 269,802
Telephonics	18,545	—	18,545
Plastics	70,025	(38)	69,987
Total	\$ 358,372	\$ (38)	\$ 358,334

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

	At March 31, 2013		Average Life (Years)	At September 30, 2012	
	Gross Carrying Amount	Accumulated Amortization		Gross Carrying Amount	Accumulated Amortization
Customer relationships	\$ 166,422	\$ 25,350	25	\$ 167,603	\$ 21,799
Unpatented technology	6,804	2,625	12.5	6,751	2,334
Total amortizable intangible assets	173,226	27,975		174,354	24,133
Trademarks	79,911	—		80,252	—
Total intangible assets	\$ 253,137	\$ 27,975		\$ 254,606	\$ 24,133

Amortization expense for intangible assets was \$1,986 and \$2,038 for the quarters ended March 31, 2013 and 2012, respectively, and \$3,972 and \$4,065 for the six months ended March 31, 2013 and 2012, respectively.

No event or indicator of impairment occurred during the quarter ended March 31, 2013, which would require impairment testing of long-lived intangible assets including goodwill.

NOTE 7 – INCOME TAXES

The effective tax rates for the quarter and six month period ended March 31, 2013 were benefits, on the pre-tax loss, of 65.7% and 59.0%, respectively, compared to provisions of 57.4% and 53.2% in the comparable prior year periods, respectively. The current year and prior year rates reflect the impact of permanent differences not deductible in determining taxable income, mainly limited deductibility of restricted stock, tax reserves and of changes in earnings mix between domestic and non-domestic operations, all of which are material relative to the level of pretax result. The current quarter and six-month period include \$309 and \$364, respectively, from discrete items primarily from the retroactively extended Research and Development (“R&D”) credit signed into law January 2, 2013. There were no material discrete items in the prior year periods.

NOTE 8 – LONG-TERM DEBT

		At March 31, 2013					At September 30, 2012				
		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	\$ 8,050	7.125%	\$ 550,000	\$ —	\$ 550,000	\$ 8,862	7.125%
Revolver due 2016	(a)	—	—	—	2,621	n/a	—	—	—	2,175	n/a
Convert. debt due 2017	(b)	100,000	(14,962)	85,038	1,699	4.000%	100,000	(16,607)	83,393	1,921	4.000%
Real estate mortgages	(c)	13,652	—	13,652	228	n/a	14,063	—	14,063	271	n/a
ESOP Loans	(d)	21,911	—	21,911	28	n/a	22,723	—	22,723	32	n/a
Capital lease - real estate	(e)	9,995	—	9,995	219	5.000%	10,455	—	10,455	232	5.000%
Term loan due 2013	(f)	10,252	—	10,252	64	n/a	12,873	—	12,873	107	n/a
Revolver due 2013	(f)	—	—	—	—	n/a	—	—	—	—	n/a
Foreign lines of credit	(g)	4,186	—	4,186	—	n/a	2,064	—	2,064	—	n/a
Foreign term loan	(g)	1,732	—	1,732	12	n/a	2,693	—	2,693	19	n/a
Other long term debt	(h)	1,529	—	1,529	—	n/a	1,346	—	1,346	—	n/a
Totals		713,257	(14,962)	698,295	\$ 12,921		716,217	(16,607)	699,610	\$ 13,619	
less: Current portion		(19,522)	—	(19,522)			(17,703)	—	(17,703)		
Long-term debt		\$ 693,735	\$ (14,962)	\$ 678,773			\$ 698,514	\$ (16,607)	\$ 681,907		

		Three Months Ended March 31, 2013					Three Months Ended March 31, 2012				
		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)	7.5%	\$ 9,797	\$ —	\$ 405	\$ 10,202	7.4%	\$ 9,797	\$ —	\$ 399	\$ 10,196
Revolver due 2016	(a)	0.0%	206	—	157	363	n/a	—	—	156	156
Convert. debt due 2017	(b)	9.3%	1,000	834	111	1,945	9.2%	1,000	766	111	1,877
Real estate mortgages	(c)	5.4%	135	—	22	157	5.6%	144	—	22	166
ESOP Loans	(d)	2.9%	158	—	2	160	3.0%	176	—	1	177
Capital lease - real estate	(e)	5.2%	125	—	7	132	5.3%	138	—	6	144
Term loan due 2013	(f)	3.7%	76	—	23	99	6.0%	245	—	55	300
Revolver due 2013	(f)	0.5%	18	—	—	18	n/a	—	—	—	—
Foreign lines of credit	(g)	12.3%	129	—	—	129	9.1%	54	—	—	54
Foreign term loan	(g)	9.8%	57	—	2	59	10.0%	50	—	—	50
Other long term debt	(h)		136	—	—	136		401	—	—	401
Capitalized interest			(340)	—	—	(340)		(516)	—	—	(516)
Totals			\$ 11,497	\$ 834	\$ 729	\$ 13,060		\$ 11,489	\$ 766	\$ 750	\$ 13,005

	Six Months Ended March 31, 2013					Six Months Ended March 31, 2012					
	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	7.4%	\$ 19,594	\$ —	\$ 811	\$ 20,405
Revolver due 2016	(a)	0.0%	424	—	313	737	n/a	—	—	309	309
Convert. debt due 2017	(b)	9.2%	2,000	1,645	222	3,867	9.1%	2,000	1,510	222	3,732
Real estate mortgages	(c)	5.4%	274	—	43	317	5.6%	294	—	43	337
ESOP Loans	(d)	2.9%	325	—	4	329	3.0%	355	—	2	357
Capital lease - real estate	(e)	5.3%	256	—	13	269	5.3%	280	—	13	293
Term loan due 2013	(f)	3.7%	174	—	44	218	6.1%	527	—	77	604
Revolver due 2013	(f)	0.5%	35	—	—	35	n/a	—	—	—	—
Foreign lines of credit	(g)	11.3%	225	—	—	225	9.1%	156	—	—	156
Foreign term loan	(g)	10.2%	132	—	7	139	10.0%	50	—	—	50
Other long term debt	(h)		251	—	—	251		758	—	34	792
Capitalized interest			(625)	—	—	(625)		(967)	—	—	(967)
Totals			<u>\$ 23,065</u>	<u>\$ 1,645</u>	<u>\$ 1,457</u>	<u>\$ 26,167</u>		<u>\$ 23,047</u>	<u>\$ 1,510</u>	<u>\$ 1,511</u>	<u>\$ 26,068</u>

- (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 (“Senior Notes”); 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 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 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 28, 2013, Griffon amended and increased the amount available under its Revolving Credit Facility (“Credit Agreement”) from \$200,000 to \$225,000 and extended its maturity from March 17, 2016 to March 28, 2018. The facility includes a letter of credit sub-facility with a limit of \$60,000, 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, in each case without a floor, plus an applicable margin, which adjusts based on financial performance. The current margins are 1.25% for base rate loans and 2.25% for LIBOR loans. 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 Griffon’s material domestic subsidiaries and are secured, on a first priority basis, by substantially all assets of the Company and the guarantors.

At March 31, 2013, there were \$22,712 of standby letters of credit outstanding under the Credit Agreement; \$202,288 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 current conversion rate of the 2017 Notes is 67.8495 shares of Griffon’s common stock per \$1,000 principal amount of notes, corresponding to a conversion price of \$14.74 per share. 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 March 31, 2013, aggregate dividends since the last conversion price adjustment of \$0.025 per share would have resulted in an adjustment to the conversion ratio of approximately 0.22%. At March 31, 2013 and September 30, 2012, 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.

- (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, 2013, \$18,473 was outstanding.

In addition, the ESOP is party to a loan agreement which requires quarterly principal payments of \$156 and interest through the extended expiration date of December 2013 at which time the \$3,125 balance of the loan, and any outstanding interest, will be payable. Griffon has the intent and ability to refinance the December 2013 balance, and has classified the balance in Long-Term Debt. 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, 2013, \$3,438 was outstanding.

- (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 5.3%, is secured by a mortgage on the real estate and is guaranteed by Griffon.
- (f) 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 2.45% per annum and the term loan accrues interest at EURIBOR plus 2.20% per annum. The revolving facility matures in November 2013, 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.
- (g) In February 2012, Clopay do Brazil, a subsidiary of Plastics, borrowed \$4,000 at a rate of 104.5% of Brazilian CDI (7.0% at March 31, 2013). The loan was used to refinance existing loans, is collateralized by accounts receivable and a 50% guaranty by Plastics and is to be repaid in four equal, semi-annual installments of principal plus accrued interest beginning in August 2012. Clopay do Brazil also maintains lines of credit of approximately \$4,400. Interest on borrowings accrue at a rate of Brazilian CDI plus 6.0% (13.0%, at March 31, 2013). At March 31, 2013 there was approximately \$4,186 borrowed under the lines.

In November 2012, Garant G.P. ("Garant") entered into a CAD \$15,000 revolving credit facility. The facility accrues interest at LIBOR or the Bankers Acceptance Rate plus 1.3% per annum (1.48% and 1.49% as of March 31, 2013). The revolving facility matures in November 2015. Garant is required to maintain a certain minimum equity. At March 31, 2013, there were no borrowings under the revolving credit facility with CAD \$15,000 available for borrowing.

(h) At March 31, 2013 and September 30, 2012, Griffon had \$532 of 4% convertible subordinated notes due 2023 (“2023 Notes”) outstanding. On April 15, 2013, the 2023 Notes were redeemed at par plus accrued interest. Other long term debt also includes capital leases.

At March 31, 2013, Griffon and its subsidiaries were in compliance with the terms and covenants of its credit and loan agreements.

NOTE 9 — SHAREHOLDERS’ EQUITY

On November 17, 2011, the Company began declaring quarterly cash dividends. During 2012, the Company declared and paid quarterly dividends of \$0.02 per share, totaling \$0.08 per share for the year. During the first and second quarters of 2013, the Board of Directors approved quarterly cash dividends of \$0.025 per common share, which were paid on December 26, 2012 and March 27, 2013, to holders of common stock as of close of business on November 29, 2012 and February 27, 2013, respectively. Dividends paid on allocated shares in the ESOP were used to pay down the ESOP loan and 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 7, 2013, the Board of Directors declared a quarterly cash dividend of \$0.025 per share, payable on June 26, 2013 to shareholders of record as of the close of business on May 28, 2013.

Compensation expense for restricted stock is recognized ratably over the required service period based on the fair value of the grant calculated as the number of shares granted multiplied by the stock price on the date of grant, and for performance shares, the likelihood of achieving the performance criteria. Compensation cost related to stock-based awards with graded vesting is amortized using the straight-line attribution method.

In February 2011, shareholders approved the Griffon Corporation 2011 Equity Incentive Plan (as amended, the “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, 2013, 674,832 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 2013, Griffon granted 883,500 restricted stock awards that cliff vest over a three-year or four-year period, 829,100 of which are also subject to certain performance conditions, with a total fair value of \$9,433, or a weighted average fair value of \$10.68 per share.

During the second quarter of 2013, Griffon granted 278,330 restricted stock awards with vesting periods up to four years, 241,667 of which are also subject to certain performance conditions, with a total fair value of \$3,333, or a weighted average fair value of \$11.97 per share.

For the three and six months ended March 31, 2013, stock based compensation expense totaled \$3,338 and \$6,298, respectively. For the three and six months ended March 31, 2012, stock based compensation expense totaled \$2,651 and \$4,908, 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 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 2013, Griffon purchased 723,630 shares of common stock, for a total of \$7,331, or \$10.13 per share,

pursuant to the repurchase program. In the second quarter of 2013, Griffon purchased 881,998 shares of common stock, for a total of \$10,265, or \$11.64 per share pursuant to the repurchase program. To date, Griffon has purchased 2,958,073 shares of common stock, for a total of \$29,285, or \$9.90 per share; \$20,715 remains under the \$50,000 authorization.

In addition to the repurchases under the \$50,000 program, during the second quarter, 378,157 shares, with a market value of \$4,508, or \$11.92 per share, were withheld to settle employee taxes due upon the vesting of restricted stock.

NOTE 10 – EARNINGS PER SHARE (EPS)

Basic EPS (and diluted EPS in periods where a loss exists) was calculated by dividing income (loss) 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.

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,	
	2013	2012	2013	2012
Weighted average shares outstanding - basic	54,345	56,037	54,749	56,031
Incremental shares from stock based compensation	—	1,343	—	1,197
Weighted average shares outstanding - diluted	54,345	57,380	54,749	57,228
Anti-dilutive options excluded from diluted EPS computation	856	989	856	989
Anti-dilutive restricted stock excluded from diluted EPS computation	2,421	—	2,259	—

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.

Information on Griffon's business segments is as follows:

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2013	2012	2013	2012
REVENUE				
Home & Building Products:				
ATT	\$ 136,237	\$ 133,321	\$ 213,546	\$ 232,061
CBP	89,499	91,269	202,366	202,915
Home & Building Products	225,736	224,590	415,912	434,976
Telephonics	121,631	113,992	217,681	218,506
Plastics	141,376	143,849	278,899	279,980
Total consolidated net sales	\$ 488,743	\$ 482,431	\$ 912,492	\$ 933,462

The following table reconciles segment operating profit to income (loss) before taxes:

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2013	2012	2013	2012
INCOME (LOSS) BEFORE TAXES				
Segment operating profit:				
Home & Building Products	\$ 3,835	\$ 8,096	\$ 11,106	\$ 17,930
Telephonics	13,753	13,543	28,398	26,056
Plastics	916	2,492	3,558	4,372
Total segment operating profit	18,504	24,131	43,062	48,358
Net interest expense	(12,909)	(12,919)	(25,988)	(25,919)
Unallocated amounts	(7,980)	(6,453)	(15,567)	(12,787)
Loss on pension settlement	—	—	(2,142)	—
Income (loss) before taxes	\$ (2,385)	\$ 4,759	\$ (635)	\$ 9,652

Griffon evaluates performance and allocates resources based on each segments' operating results before interest income and expense, income taxes, depreciation and amortization, unallocated amounts (mainly corporate overhead), restructuring charges, acquisition-related expenses, and gains (losses) from pension settlement and debt extinguishment, as applicable ("Segment adjusted EBITDA"). Griffon believes this information is useful to investors for the same reason.

The following table provides a reconciliation of Segment adjusted EBITDA to Income (loss) before taxes:

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2013	2012	2013	2012
Segment adjusted EBITDA:				
Home & Building Products	\$ 17,555	\$ 15,853	\$ 34,794	\$ 33,603
Telephonics	15,505	15,336	31,869	31,024
Plastics	12,352	9,164	21,671	17,344
Total Segment adjusted EBITDA	45,412	40,353	88,334	81,971
Net interest expense	(12,909)	(12,919)	(25,988)	(25,919)
Segment depreciation and amortization	(17,572)	(16,222)	(34,828)	(31,640)
Unallocated amounts	(7,980)	(6,453)	(15,567)	(12,787)
Restructuring charges	(9,336)	—	(10,444)	(1,795)
Acquisition costs	—	—	—	(178)
Loss on pension settlement	—	—	(2,142)	—
Income (loss) before taxes	\$ (2,385)	\$ 4,759	\$ (635)	\$ 9,652

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,	
	2013	2012	2013	2012
DEPRECIATION and AMORTIZATION				
Segment:				
Home & Building Products	\$ 9,157	\$ 7,757	\$ 18,017	\$ 15,222
Telephonics	1,752	1,793	3,471	3,446
Plastics	6,663	6,672	13,340	12,972
Total segment depreciation and amortization	17,572	16,222	34,828	31,640
Corporate	109	99	210	196
Total consolidated depreciation and amortization	\$ 17,681	\$ 16,321	\$ 35,038	\$ 31,836

CAPITAL EXPENDITURES

Segment:				
Home & Building Products	\$ 6,711	\$ 8,305	\$ 15,804	\$ 14,573
Telephonics	2,630	2,554	3,452	3,784
Plastics	4,333	9,446	11,701	21,774
Total segment	13,674	20,305	30,957	40,131
Corporate	33	8	38	74
Total consolidated capital expenditures	\$ 13,707	\$ 20,313	\$ 30,995	\$ 40,205

	At March 31, 2013	At September 30, 2012
ASSETS		
Segment assets:		
Home & Building Products	\$ 988,515	\$ 943,766
Telephonics	287,360	255,420
Plastics	422,263	430,395
Total segment assets	1,698,138	1,629,581
Corporate	90,450	173,088
Total continuing assets	1,788,588	1,802,669
Assets of discontinued operations	3,221	3,523
Consolidated total	\$ 1,791,809	\$ 1,806,192

NOTE 12 – DEFINED BENEFIT PENSION EXPENSE

Defined benefit pension expense was as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
Service cost	\$ 48	\$ 51	\$ 98	\$ 123
Interest cost	2,422	2,666	4,847	5,568
Expected return on plan assets	(3,136)	(2,930)	(6,274)	(5,732)
Amortization:				
Prior service cost	5	84	10	168
Recognized actuarial loss	840	718	1,680	1,293
Loss on pension settlement	—	—	2,142	—
Net periodic expense	\$ 179	\$ 589	\$ 2,503	\$ 1,420

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 Pension Plan.

In the first quarter of 2013, Selling, general and administrative expenses included a \$2,142, non-cash, pension settlement loss resulting from the lump-sum buyout of certain participant's balances in the Company's defined benefit plan. The buyouts, funded by the pension plan, reduced the Company's net pension liability by \$3,472 and increased Accumulated Other Comprehensive Income (Loss) by \$3,649.

NOTE 13 – RECENT ACCOUNTING PRONOUNCEMENTS

In February 2013, the FASB issued new accounting guidance requiring enhanced disclosures for items reclassified out of accumulated other comprehensive income. The guidance does not amend any existing requirements for reporting net income or other comprehensive income in the financial statements. This guidance is effective prospectively for annual reporting periods beginning after December 15, 2012, with early adoption permitted. As this new guidance is related to presentation only, the implementation of this guidance in the first quarter of fiscal year 2014 will not have a material effect on the Company's financial condition or results of operations.

In June 2011, the FASB issued new accounting guidance requiring the presentation of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income, or in two separate but consecutive statements. The new accounting rules eliminate the option to present components of other comprehensive income as part of the statement of changes in shareholders' equity. The new accounting rules were effective for the Company beginning in 2013 and did not have a material effect on the Company's financial condition or results of operations and the Company presented comparable financial results.

In September 2011, the FASB issued new accounting guidance that allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative impairment testing of goodwill and indefinite life intangibles. This guidance is effective for the Company beginning in 2013 and did not have an impact on the Company's financial condition or results of operations.

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 14 – 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:

	<u>At March 31, 2013</u>	<u>At September 30, 2012</u>
Assets of discontinued operations:		
Prepaid and other current assets	\$ 556	\$ 587
Other long-term assets	<u>2,665</u>	<u>2,936</u>
Total assets of discontinued operations	<u>\$ 3,221</u>	<u>\$ 3,523</u>
Liabilities of discontinued operations:		
Accrued liabilities, current	\$ 1,954	\$ 3,639
Other long-term liabilities	<u>3,110</u>	<u>3,643</u>
Total liabilities of discontinued operations	<u>\$ 5,064</u>	<u>\$ 7,282</u>

There was no Installation Services' operating unit revenue or income for the three or six months ended March 31, 2013 or 2012.

NOTE 15 – RESTRUCTURING AND OTHER RELATED CHARGES

In January 2013, ATT announced its intention to close certain of its manufacturing facilities and consolidate affected operations primarily into its Camp Hill and Carlisle, PA locations. The intended actions, to be completed by the end of fiscal 2014, will improve manufacturing and distribution efficiencies, allow for in-sourcing of certain production currently performed by third party suppliers, and improve material flow and absorption of fixed costs.

ATT anticipates incurring pre-tax restructuring and related exit costs approximating \$8,000, comprised of cash charges of \$4,000 and non-cash, asset-related charges of \$4,000; the cash charges will include \$3,000 for one-time termination benefits and other personnel-related costs and \$1,000 for facility exit costs. ATT expects \$20,000 in capital expenditures in connection with this initiative and, to date, has incurred \$4,699 and \$6,269 in restructuring costs and capital expenditures, respectively.

During the current quarter, BPC completed the consolidation of its Auburn, Washington facility into its Russia, Ohio facility.

HBP recognized \$4,563 and \$5,671, respectively, for the three and six months ended March 31, 2013, and nil and \$273, respectively, for the three and six months ended March 31, 2012, in restructuring and other related exit costs. In 2013, restructuring and other related charges primarily related to one-time termination benefits, facility costs and other personnel costs and asset impairment charges related to the ATT and BPC plant consolidation initiatives. In 2012, restructuring and other related charges primarily related to one-time termination benefits and other personnel costs at ATT.

During the current quarter, PPC Europe announced plans to exit low margin businesses and eliminate approximately 80 positions, resulting in a restructuring cash charge of \$4,773.

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 Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) were recognized as follows:

	Workforce Reduction	Facilities & Exit Costs	Other Related Costs	Non-cash Facility and Other	Total
Amounts incurred in:					
Quarter ended December 31, 2011	\$ 1,538	\$ 257	\$ —	\$ —	\$ 1,795
Quarter ended March 31, 2012	—	—	—	—	—
Six months ended March 31, 2012	<u>\$ 1,538</u>	<u>\$ 257</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,795</u>
Quarter ended December 31, 2012	\$ 994	\$ 39	\$ 75	\$ —	\$ 1,108
Quarter ended March 31, 2013	3,795	523	1,517	3,501	9,336
Six months ended March 31, 2013	<u>\$ 4,789</u>	<u>\$ 562</u>	<u>\$ 1,592</u>	<u>\$ 3,501</u>	<u>\$ 10,444</u>

The activity in the restructuring accrual recorded in accrued liabilities consisted of the following:

	<u>Workforce Reduction</u>	<u>Facilities & Exit Costs</u>	<u>Other Related Costs</u>	<u>Total</u>
Accrued liability at September 30, 2012	\$ 3,500	\$ 140	\$ —	\$ 3,640
Charges	4,789	562	1,592	6,943
Payments	<u>(2,872)</u>	<u>(233)</u>	<u>(846)</u>	<u>(3,951)</u>
Accrued liability at March 31, 2013	<u>\$ 5,417</u>	<u>\$ 469</u>	<u>\$ 746</u>	<u>\$ 6,632</u>

NOTE 16 – OTHER INCOME

For the quarters ended March 31, 2013 and 2012, Other income (expense) included \$479 and \$172 respectively, of currency exchange losses in connection with the translation of receivables and payables denominated in currencies other than the functional currencies of Griffon and its subsidiaries as well as \$321 and \$107, respectively, of investment income.

For the six months ended March 31, 2013 and 2012, Other income (expense) included \$467 and \$668 respectively, of currency exchange losses in connection with the translation of receivables and payables denominated in currencies other than the functional currencies of Griffon and its subsidiaries as well as \$353 and \$172, respectively, of investment income.

NOTE 17 – 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:

	<u>Three Months Ended March 31,</u>		<u>Six Months Ended March 31,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Balance, beginning of period	\$ 7,743	\$ 8,953	\$ 8,856	\$ 7,963
Warranties issued and changes in estimated pre-existing warranties	662	2,916	656	4,946
Actual warranty costs incurred	<u>(981)</u>	<u>(1,513)</u>	<u>(2,088)</u>	<u>(2,553)</u>
Balance, end of period	<u>\$ 7,424</u>	<u>\$ 10,356</u>	<u>\$ 7,424</u>	<u>\$ 10,356</u>

NOTE 18 — 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. Since December 2004, a customer of ATT has been named in various litigation matters relating to certain Union Tools products. The plaintiffs in those litigation matters have asserted causes of action against the customer of ATT for improper advertisement to end consumers. The allegations suggest that advertisements led the consumers to believe that Union Tools’ hand tools were wholly manufactured within boundaries of the United States. The complaints assert various causes of action against the customer of ATT under federal and state law, including common law fraud. At some point, likely once the litigation against the customer of ATT ends, the customer may seek indemnity (including recovery of its legal fees and costs) against ATT for an unspecified amount. 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 August 1, 2012 a fire occurred during the course of demolition of certain structures at the Frankfort, NY site. The fire caused extensive damage requiring additional remediation under the oversight of the DEC. The insurance carrier for the demolition contractor committed to funding the cost of remediation and clean up resulting from the fire. The cleanup of the fire debris is largely complete, as is the demolition of the structures on the property. The NYDEC has inspected the progress of the work and is satisfied with the results thus far. On February 12, 2013, the NYDEC issued comments to the Remedial Investigation Work Plan previously submitted by ATT in October 2011, and in response Ames issued a Revised Remedial Investigation Work Plan. Implementation of the remedial investigation is dependent on timing of the NYDEC approval.

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"), the Defense Criminal Investigative Service ("DCIS"), 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 subject to various laws and regulations relating to the protection of the environment and is a party to legal proceedings arising in the ordinary course of business. 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 19 — 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, Ames True Temper, Inc. and ATT Southern, 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, 2013 and September 30, 2012 and for the three and six months ended March 31, 2013 and 2012. 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. On June 29, 2012, ATT Southern, Inc. was added as a guarantor. On June 30, 2012, to allocate debt related to operations, three guarantors entered into intercompany debt agreements with a non-guarantor to borrow a total of \$491,372.

CONDENSED CONSOLIDATING BALANCE SHEETS
At March 31, 2013

	<u>Parent Company</u>	<u>Guarantor Companies</u>	<u>Non-Guarantor Companies</u>	<u>Elimination</u>	<u>Consolidation</u>
CURRENT ASSETS					
Cash and equivalents	\$ 64,874	\$ 15,103	\$ 36,945	\$ —	\$ 116,922
Accounts receivable, net of allowances	—	255,170	79,925	(32,814)	302,281
Contract costs and recognized income not yet billed, net of progress payments	—	94,690	349	—	95,039
Inventories, net	—	198,830	57,997	220	257,047
Prepaid and other current assets	1,077	18,472	22,925	12,437	54,911
Assets of discontinued operations	—	—	556	—	556
Total Current Assets	<u>65,951</u>	<u>582,265</u>	<u>198,697</u>	<u>(20,157)</u>	<u>826,756</u>
PROPERTY, PLANT AND EQUIPMENT, net	1,071	245,475	104,286	—	350,832
GOODWILL	—	288,147	70,187	—	358,334
INTANGIBLE ASSETS, net	—	162,491	62,671	—	225,162
INTERCOMPANY RECEIVABLE	566,985	886,819	614,488	(2,068,292)	—
EQUITY INVESTMENTS IN SUBSIDIARIES	2,189,013	538,547	2,686,245	(5,413,805)	—
OTHER ASSETS	48,120	58,423	8,715	(87,198)	28,060
ASSETS OF DISCONTINUED OPERATIONS	—	—	2,665	—	2,665
Total Assets	<u>\$ 2,871,140</u>	<u>\$ 2,762,167</u>	<u>\$ 3,747,954</u>	<u>\$ (7,589,452)</u>	<u>\$ 1,791,809</u>
CURRENT LIABILITIES					
Notes payable and current portion of long-term debt	\$ 1,312	\$ 1,056	\$ 17,154	\$ —	\$ 19,522
Accounts payable and accrued liabilities	40,300	173,043	73,345	(20,377)	266,311
Liabilities of discontinued operations	—	—	1,954	—	1,954
Total Current Liabilities	<u>41,612</u>	<u>174,099</u>	<u>92,453</u>	<u>(20,377)</u>	<u>287,787</u>
LONG-TERM DEBT, net of debt discounts	656,168	9,547	13,058	—	678,773
INTERCOMPANY PAYABLES	20,001	840,936	1,180,334	(2,041,271)	—
OTHER LIABILITIES	65,955	177,783	27,804	(87,198)	184,344
LIABILITIES OF DISCONTINUED OPERATIONS	—	—	3,110	—	3,110
Total Liabilities	<u>783,736</u>	<u>1,202,365</u>	<u>1,316,759</u>	<u>(2,148,846)</u>	<u>1,154,014</u>
SHAREHOLDERS' EQUITY					
Total Liabilities and Shareholders' Equity	<u>\$ 2,871,140</u>	<u>\$ 2,762,167</u>	<u>\$ 3,747,954</u>	<u>\$ (7,589,452)</u>	<u>\$ 1,791,809</u>

CONDENSED CONSOLIDATING BALANCE SHEETS
At September 30, 2012

	<u>Parent Company</u>	<u>Guarantor Companies</u>	<u>Non-Guarantor Companies</u>	<u>Elimination</u>	<u>Consolidation</u>
CURRENT ASSETS					
Cash and equivalents	\$ 125,093	\$ 34,782	\$ 49,779	\$ —	\$ 209,654
Accounts receivable, net of allowances	—	187,487	81,274	(28,904)	239,857
Contract costs and recognized income not yet billed, net of progress payments	—	69,216	1,561	—	70,777
Inventories, net	—	194,618	63,203	47	257,868
Prepaid and other current assets	(851)	23,929	21,968	2,426	47,472
Assets of discontinued operations	—	—	587	—	587
Total Current Assets	<u>124,242</u>	<u>510,032</u>	<u>218,372</u>	<u>(26,431)</u>	<u>826,215</u>
PROPERTY, PLANT AND EQUIPMENT, net	1,224	244,261	111,394	—	356,879
GOODWILL	—	288,147	70,225	—	358,372
INTANGIBLE ASSETS, net	—	164,633	65,840	—	230,473
INTERCOMPANY RECEIVABLE	508,984	648,347	542,025	(1,699,356)	—
EQUITY INVESTMENTS IN SUBSIDIARIES	2,143,427	528,411	2,650,083	(5,321,921)	—
OTHER ASSETS	49,718	60,609	8,188	(87,198)	31,317
ASSETS OF DISCONTINUED OPERATIONS	—	—	2,936	—	2,936
Total Assets	<u>\$ 2,827,595</u>	<u>\$ 2,444,440</u>	<u>\$ 3,669,063</u>	<u>\$ (7,134,906)</u>	<u>\$ 1,806,192</u>
CURRENT LIABILITIES					
Notes payable and current portion of long-term debt	\$ 1,625	\$ 1,032	\$ 15,046	\$ —	\$ 17,703
Accounts payable and accrued liabilities	44,649	167,230	66,640	(26,478)	252,041
Liabilities of discontinued operations	—	—	3,639	—	3,639
Total Current Liabilities	<u>46,274</u>	<u>168,262</u>	<u>85,325</u>	<u>(26,478)</u>	<u>273,383</u>
LONG-TERM DEBT, net of debt discounts	655,023	9,782	17,102	—	681,907
INTERCOMPANY PAYABLES	—	558,905	1,149,748	(1,708,653)	—
OTHER LIABILITIES	68,827	183,989	27,489	(87,198)	193,107
LIABILITIES OF DISCONTINUED OPERATIONS	—	—	3,643	—	3,643
Total Liabilities	<u>770,124</u>	<u>920,938</u>	<u>1,283,307</u>	<u>(1,822,329)</u>	<u>1,152,040</u>
SHAREHOLDERS' EQUITY	2,057,471	1,523,502	2,385,751	(5,312,572)	654,152
Total Liabilities and Shareholders' Equity	<u>\$ 2,827,595</u>	<u>\$ 2,444,440</u>	<u>\$ 3,669,058</u>	<u>\$ (7,134,901)</u>	<u>\$ 1,806,192</u>

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Three Months Ended March 31, 2013

(\$ in thousands)	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
Revenue	\$ —	\$ 379,846	\$ 123,599	\$ (14,702)	\$ 488,743
Cost of goods and services	—	292,369	104,011	(13,134)	383,246
Gross profit	—	87,477	19,588	(1,568)	105,497
Selling, general and administrative expenses	3,821	67,936	15,912	(1,610)	86,059
Restructuring and other related charges	—	5,372	3,964	—	9,336
Total operating expenses	3,821	73,308	19,876	(1,610)	95,395
Income (loss) from operations	(3,821)	14,169	(288)	42	10,102
Other income (expense)					
Interest income (expense), net	(3,610)	(6,824)	(2,475)	—	(12,909)
Other, net	322	1,966	(1,404)	(462)	422
Total other income (expense)	(3,288)	(4,858)	(3,879)	(462)	(12,487)
Income (loss) before taxes	(7,109)	9,311	(4,167)	(420)	(2,385)
Provision (benefit) for income taxes	(4,393)	2,750	77	—	(1,566)
Income (loss) before equity in net income of subsidiaries	(2,716)	6,561	(4,244)	(420)	(819)
Equity in net income (loss) of subsidiaries	2,317	(4,235)	6,561	(4,643)	—
Net income (loss)	<u>\$ (399)</u>	<u>\$ 2,326</u>	<u>\$ 2,317</u>	<u>\$ (5,063)</u>	<u>\$ (819)</u>
Net Income (loss)	\$ (399)	\$ 2,326	\$ 2,317	\$ (5,063)	\$ (819)
Other comprehensive income (loss), net of taxes	(1,181)	(46,562)	42,479	—	(5,264)
Comprehensive income (loss)	<u>\$ (1,580)</u>	<u>\$ (44,236)</u>	<u>\$ 44,796</u>	<u>\$ (5,063)</u>	<u>\$ (6,083)</u>

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
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)
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 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)	<u>\$ 2,027</u>	<u>\$ 6,612</u>	<u>\$ 6,574</u>	<u>\$ (13,186)</u>	<u>\$ 2,027</u>
Net Income (loss)	\$ 2,027	\$ 6,612	\$ 6,574	\$ (13,186)	\$ 2,027
Other comprehensive income (loss), net of taxes	238	(5,965)	15,870	—	10,143
Comprehensive income (loss)	<u>\$ 2,265</u>	<u>\$ 647</u>	<u>\$ 22,444</u>	<u>\$ (13,186)</u>	<u>\$ 12,170</u>

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Six Months Ended March 31, 2013

	<u>Parent Company</u>	<u>Guarantor Companies</u>	<u>Non-Guarantor Companies</u>	<u>Elimination</u>	<u>Consolidation</u>
Revenue	\$ —	\$ 700,904	\$ 238,510	\$ (26,922)	\$ 912,492
Cost of goods and services	—	531,186	202,365	(24,226)	709,325
Gross profit	—	169,718	36,145	(2,696)	203,167
Selling, general and administrative expenses	11,278	129,586	30,534	(3,120)	168,278
Restructuring and other related charges	—	6,480	3,964	—	10,444
Total operating expenses	11,278	136,066	34,498	(3,120)	178,722
Income (loss) from operations	(11,278)	33,652	1,647	424	24,445
Other income (expense)					
Interest income (expense), net	(7,222)	(13,703)	(5,063)	—	(25,988)
Other, net	355	4,265	(2,788)	(924)	908
Total other income (expense)	(6,867)	(9,438)	(7,851)	(924)	(25,080)
Income (loss) before taxes	(18,145)	24,214	(6,204)	(500)	(635)
Provision (benefit) for income taxes	(9,759)	8,948	437	—	(374)
Income (loss) before equity in net income of subsidiaries	(8,386)	15,266	(6,641)	(500)	(261)
Equity in net income (loss) of subsidiaries	8,625	(6,596)	15,266	(17,295)	—
Net income (loss)	<u>\$ 239</u>	<u>\$ 8,670</u>	<u>\$ 8,625</u>	<u>\$ (17,795)</u>	<u>\$ (261)</u>
Net Income (loss)	\$ 239	\$ 8,670	\$ 8,625	\$ (17,795)	\$ (261)
Other comprehensive income (loss), net of taxes	422	(42,139)	43,316	—	1,599
Comprehensive income (loss)	<u>\$ 661</u>	<u>\$ (33,469)</u>	<u>\$ 51,941</u>	<u>\$ (17,795)</u>	<u>\$ 1,338</u>

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Six Months Ended March 31, 2012

	<u>Parent Company</u>	<u>Guarantor Companies</u>	<u>Non-Guarantor Companies</u>	<u>Elimination</u>	<u>Consolidation</u>
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)
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 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)	<u>\$ 4,513</u>	<u>\$ 12,671</u>	<u>\$ 12,569</u>	<u>\$ (25,240)</u>	<u>\$ 4,513</u>
Net Income (loss)	\$ 4,513	\$ 12,671	\$ 12,569	\$ (25,240)	\$ 4,513
Other comprehensive income (loss), net of taxes	476	32,970	(27,358)	—	6,088
Comprehensive income (loss)	<u>\$ 4,989</u>	<u>\$ 45,641</u>	<u>\$ (14,789)</u>	<u>\$ (25,240)</u>	<u>\$ 10,601</u>

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Six Months Ended March 31, 2013

	<u>Parent Company</u>	<u>Guarantor Companies</u>	<u>Non-Guarantor Companies</u>	<u>Elimination</u>	<u>Consolidation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	\$ 239	\$ 8,670	\$ 8,625	\$ (17,795)	\$ (261)
Net cash provided by (used in) operating activities	(43,968)	(26,900)	36,885	—	(33,983)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment	(24)	(28,624)	(2,347)	—	(30,995)
Intercompany distributions	10,000	(10,000)	—	—	—
Proceeds from sale of investment	—	1,171	45	—	1,216
Net cash provided by (used in) investing activities	9,976	(37,453)	(2,302)	—	(29,779)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Purchase of shares for treasury	(22,109)	—	—	—	(22,109)
Proceeds from issuance of long-term debt	—	303	—	—	303
Payments of long-term debt	(813)	(514)	(4,073)	—	(5,400)
Change in short-term borrowings	—	—	2,157	—	2,157
Financing costs	(759)	—	—	—	(759)
Tax effect from exercise/vesting of equity awards, net	150	—	—	—	150
Dividend	(2,938)	—	—	—	(2,938)
Other, net	242	44,885	(44,885)	—	242
Net cash provided by (used in) financing activities	(26,227)	44,674	(46,801)	—	(28,354)
CASH FLOWS FROM DISCONTINUED OPERATIONS:					
Net cash used in discontinued operations	—	—	(478)	—	(478)
Effect of exchange rate changes on cash and equivalents	—	—	(138)	—	(138)
NET DECREASE IN CASH AND EQUIVALENTS	(60,219)	(19,679)	(12,834)	—	(92,732)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	125,093	34,782	49,779	—	209,654
CASH AND EQUIVALENTS AT END OF PERIOD	\$ 64,874	\$ 15,103	\$ 36,945	\$ —	\$ 116,922

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

	<u>Parent Company</u>	<u>Guarantor Companies</u>	<u>Non-Guarantor Companies</u>	<u>Elimination</u>	<u>Consolidation</u>
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 investment	—	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)
Change in short-term borrowings	—	—	(3,331)	—	(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)	47,724	(47,724)	—	(29)
Net cash provided by (used in) financing activities	(27,736)	43,872	(29,788)	—	(13,652)
CASH FLOWS FROM DISCONTINUED OPERATIONS:					
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 EQUIVALENTS					
	(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

(Unless otherwise indicated, US dollars and non US currencies are in thousands, except per share data)

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

BUSINESS OVERVIEW

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. Griffon, to further diversify, 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 businesses: Home & Building Products ("HBP"), Telephonics Corporation ("Telephonics") and Clopay Plastic Products Company ("Plastics").

- HBP consists of two companies, Ames True Temper, Inc. ("ATT") and Clopay Building Products Company, Inc. ("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 designs, develops and manufactures high-technology integrated information, communication and sensor system solutions for 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.

In January 2013, ATT announced its intention to close certain of its manufacturing facilities and consolidate affected operations primarily into its Camp Hill and Carlisle, PA locations. The intended actions, to be completed by the end of fiscal 2014, will improve manufacturing and distribution efficiencies, allow for in-sourcing of certain production currently performed by third party suppliers, and improve material flow and absorption of fixed costs. Management estimates that, upon completion, these actions will result in annual cash savings exceeding \$10,000, based on current operating levels.

ATT anticipates incurring pre-tax restructuring and related exit costs approximating \$8,000, comprised of cash charges of \$4,000 and non-cash, asset-related charges of \$4,000; the cash charges will include \$3,000 for one-time termination benefits and other personnel-related costs and \$1,000 for facility exit costs. ATT expects \$20,000 in capital expenditures in connection with this initiative and, to date, has incurred \$4,699 and \$6,269 in restructuring costs and capital expenditures, respectively.

In the first quarter of 2013, Selling, general and administrative expenses included a \$2,142, non-cash, pension settlement loss resulting from the lump-sum buyout of certain participant's balances in the Company's defined benefit plan. The buyouts, funded by the pension plan, reduced the Company's net pension liability by \$3,472.

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 PatioTM brand ("Southern Patio"), is a leading designer, manufacturer and marketer of landscape accessories. Southern Patio's results of operations are not included in the Griffon consolidated statement of operations or cash flows, or footnotes relating thereto prior to October 17, 2011.

OVERVIEW

Revenue for the quarter ended March 31, 2013 was \$488,743 compared to \$482,431 in the prior year quarter. Net income (loss) was (\$819) or (\$0.02) per share, compared to \$2,027 or \$0.04 per share, in the prior year quarter.

The current quarter included:

- Restructuring charges of \$9,336 (\$5,788, net of tax or \$0.10 per share); and
- Discrete tax benefits, net, of \$309 or \$0.01 per share.

Excluding these items from the current quarter results, net income would have been \$4,660 or \$0.08 per share in the current quarter compared to \$2,027 or \$0.04 per share in the prior year quarter.

Revenue for the six months ended March 31, 2013 was \$912,492 compared to \$933,462 in the prior year period. Net income (loss) was (\$261) or (\$0.00) per share, compared to \$4,513 or \$0.08 per share, in the prior year.

Results for the six months ended March 31, 2013 included:

- Restructuring charges of \$10,444 (\$6,508, net of tax or \$0.11 per share);
- Loss on pension settlement of \$2,142 (\$1,392, net of tax or \$0.02 per share); and
- Discrete tax benefits, net, of \$364 or \$0.01 per share.

Results for the six months ended March 31, 2012 included:

- Restructuring charges of \$1,795 (\$1,167, net of tax or \$0.02 per share); and
- Acquisition costs of \$178 (\$116, net of tax, or \$0.00 per share).

Excluding these items from the respective periods, net income would have been \$7,275 or \$0.13 per share in the six months ended March 31, 2013 compared to \$5,796 or \$0.10 per share in the prior year period.

Griffon evaluates performance based on Earnings (loss) per share and Net income (loss) excluding restructuring charges, acquisition-related expenses, gains (losses) from pension settlement and debt extinguishment, and discrete tax items, as applicable. Griffon believes this information is useful to investors for the same reason. The following table provides a reconciliation of Earnings per share and Net income to Adjusted earnings per share and Adjusted net income:

GRIFFON CORPORATION AND SUBSIDIARIES
RECONCILIATION OF INCOME (LOSS) TO ADJUSTED INCOME
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	March 31,		March 31,	
	2013	2012	2013	2012
Net income (loss)	\$ (819)	\$ 2,027	\$ (261)	\$ 4,513
Adjusting items, net of tax:				
Restructuring and related	5,788	—	6,508	1,167
Acquisition costs	—	—	—	116
Loss on pension settlement	—	—	1,392	—
Discrete tax benefits	(309)	—	(364)	—
Adjusted net income	<u>\$ 4,660</u>	<u>\$ 2,027</u>	<u>\$ 7,275</u>	<u>\$ 5,796</u>
Earnings (loss) per common share	\$ (0.02)	\$ 0.04	\$ (0.00)	\$ 0.08
Adjusting items, net of tax:				
Restructuring	0.10	—	0.11	0.02
Acquisition costs	—	—	—	0.00
Loss on pension settlement	—	—	0.02	—
Discrete tax benefits	(0.01)	—	(0.01)	—
Adjusted earnings per share	<u>\$ 0.08</u>	<u>\$ 0.04</u>	<u>0.13</u>	<u>\$ 0.10</u>
Weighted-average shares outstanding on loss (in thousands)	<u>54,345</u>		<u>54,749</u>	
Weighted-average shares outstanding on income (in thousands)	<u>56,766</u>	<u>57,380</u>	<u>57,008</u>	<u>57,228</u>

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, 2013 and 2012

Griffon evaluates performance and allocates resources based on each segments' operating results before interest income and expense, income taxes, depreciation and amortization, unallocated amounts (mainly corporate overhead), restructuring charges, acquisition-related expenses, and gains (losses) from pension settlement and debt extinguishment, as applicable ("Segment adjusted EBITDA"). Griffon believes this information is useful to investors for the same reason.

The following table provides a reconciliation of Segment adjusted EBITDA to Income (loss) before taxes:

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2013	2012	2013	2012
Segment adjusted EBITDA:				
Home & Building Products	\$ 17,555	\$ 15,853	\$ 34,794	\$ 33,603
Telephonics	15,505	15,336	31,869	31,024
Plastics	12,352	9,164	21,671	17,344
Total Segment adjusted EBITDA	45,412	40,353	88,334	81,971
Net interest expense	(12,909)	(12,919)	(25,988)	(25,919)
Segment depreciation and amortization	(17,572)	(16,222)	(34,828)	(31,640)
Unallocated amounts	(7,980)	(6,453)	(15,567)	(12,787)
Restructuring charges	(9,336)	—	(10,444)	(1,795)
Acquisition costs	—	—	—	(178)
Loss on pension settlement	—	—	(2,142)	—
Income (loss) before taxes	\$ (2,385)	\$ 4,759	\$ (635)	\$ 9,652

Home & Building Products

	Three Months Ended March 31,		Six Months Ended March 31,					
	2013	2012	2013	2012				
Revenue:								
ATT	\$ 136,237	\$ 133,321	\$ 213,546	\$ 232,061				
CBP	89,499	91,269	202,366	202,915				
Home & Building Products	\$ 225,736	\$ 224,590	\$ 415,912	\$ 434,976				
Segment operating profit	\$ 3,835	1.7%	\$ 8,096	3.6%	\$ 11,106	2.7%	\$ 17,930	4.1%
Depreciation and amortization	9,157	7,757	18,017	15,222				
Restructuring charges	4,563	—	5,671	273				
Acquisition costs	—	—	—	178				
Segment adjusted EBITDA	\$ 17,555	7.8%	\$ 15,853	7.1%	\$ 34,794	8.4%	\$ 33,603	7.7%

For the quarter ended March 31, 2013, revenue increased \$1,146 or 1%, compared to the prior year quarter. ATT revenue increased 2% in comparison to the prior year quarter. For the quarter, CBP revenue decreased 2%, primarily due to lower volume, partially offset by favorable mix.

For the quarter ended March 31, 2013, Segment operating profit was \$3,835 compared to \$8,096 in the prior year quarter, primarily due to \$4,563 of restructuring charges incurred. Excluding restructuring charges, current year Segment operating profit was \$8,398 with improvement from the prior year quarter primarily due to favorable mix and improved manufacturing efficiencies at CBP, as well as reduced warehouse and distribution costs, and other cost control initiatives at ATT. Segment depreciation and amortization increased \$1,400 from the prior year quarter.

For the six months ended March 31, 2013, revenue decreased \$19,064, or 4%, compared to the prior year period. ATT revenue decreased 8%, mainly driven by reduced snow tool sales. For ATT, both 2012 and 2013 year to date sales were impacted by lack of snow and resultant reduced sales of snow tools; retailers held high levels of snow tool inventory carried over from the prior year, further affecting 2013 snow tool sales. For the six months ended March 31, 2013, CBP revenue was in-line with the prior year as lower volume was offset by favorable mix.

For the six months ended March 31, 2013, Segment operating profit was \$11,106 compared to \$17,930 in the prior year period, primarily due to \$5,671 of restructuring charges incurred in the current year, and the impact of lower snow tool revenue, which also affected ATT absorption of manufacturing expenses. The impact of snow was partially offset by reduced ATT warehouse and distribution costs, other cost control initiatives and an increase of \$873 in Byrd Amendment receipts (anti-dumping compensation from the U.S. government); CBP favorable mix and manufacturing efficiencies further contributed to the reported profit. Segment depreciation and amortization increased \$2,795 from the prior year period.

In January 2013, ATT announced its intention to close certain of its manufacturing facilities and consolidate affected operations primarily into its Camp Hill and Carlisle, PA locations. The intended actions, to be completed by the end of fiscal 2014, will improve manufacturing and distribution efficiencies, allow for in-sourcing of certain production currently performed by third party suppliers, and improve material flow and absorption of fixed costs.

ATT anticipates incurring pre-tax restructuring and related exit costs approximating \$8,000, comprised of cash charges of \$4,000 and non-cash, asset-related charges of \$4,000; the cash charges will include \$3,000 for one-time termination benefits and other personnel-related costs and \$1,000 for facility exit costs. ATT expects \$20,000 in capital expenditures in connection with this initiative and, to date, has incurred \$4,699 and \$6,269 in restructuring costs and capital expenditures, respectively.

During the current quarter, BPC completed the consolidation of its Auburn, Washington facility into its Russia, Ohio facility.

HBP recognized \$4,563 and \$5,671, respectively, for the three and six months ended March 31, 2013, and nil and \$273, respectively, for the three and six months ended March 31, 2012, in restructuring and other related exit costs. In 2013, restructuring and other related charges primarily related to one-time termination benefits, facility costs and other personnel costs, and asset impairment charges related to the ATT and BPC plant consolidation initiatives. In 2012, restructuring and other related charges primarily related to one-time termination benefits and other personnel costs at ATT.

Telephonics

	Three Months Ended March 31,				Six Months Ended March 31,			
	2013		2012		2013		2012	
Revenue	\$ 121,631		\$ 113,992		\$ 217,681		\$ 218,506	
Segment operating profit	\$ 13,753	11.3%	\$ 13,543	11.9%	\$ 28,398	13.0%	\$ 26,056	11.9%
Depreciation and amortization	1,752		1,793		3,471		3,446	
Restructuring charges	—		—		—		1,522	
Segment adjusted EBITDA	\$ 15,505	12.7%	\$ 15,336	13.5%	\$ 31,869	14.6%	\$ 31,024	14.2%

For the quarter ended March 31, 2013, revenue increased \$7,639 compared to the prior year quarter. The current and prior year quarters included \$13,225 and \$13,578 respectively, of revenue related to electronic warfare programs where Telephonics serves as a contract manufacturer; excluding revenue from these programs, current quarter revenue increased 8% from the prior year quarter, primarily due to work performed on Multi-mode Surveillance Radar Solutions contracts.

For the quarter ended March 31, 2013, Segment operating profit increased \$210, or 2%, and operating profit margin decreased 60 basis points compared to the prior year quarter, primarily due to program mix. The increase in Segment operating profit was primarily due to lower expenditures associated with the timing of research and development (“R&D”) initiatives and proposal efforts, partially offset by the impact of program mix.

For the six months ended March 31, 2013, revenue decreased \$825 compared to the prior year period. The current and prior year periods included \$13,225 and \$19,522, respectively, of revenue related to electronic warfare programs where Telephonics serves as a contract manufacturer; excluding revenue from these programs, current period revenue increased 3% from the prior year period, primarily due to an increase in revenue recognized on the sale of SDI products and higher Romeo Radar revenue.

For the six months ended March 31, 2013, Segment operating profit increased \$2,342, or 9%. Excluding the prior year restructuring charges, segment operating profit increased 3% and operating margin increased 40 basis points compared to the prior year period. The increase was primarily due to increased core sales volume, and lower expenditures associated with the timing of R&D initiatives and proposal efforts.

In 2012 and 2011, Telephonics recognized \$3,815 and \$3,046 of restructuring charges in connection with two discrete voluntary early retirement plans and other costs related to changes in organizational structure and facilities; such charges were primarily personnel-related, reducing headcount by 185 employees over the two-year period. In the six months ended March 31, 2012, Telephonics recognized \$1,522 of restructuring and other related charge 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 incremental funding on existing contracts approximating \$131,700. Contract backlog was \$477,000 at March 31, 2013 with 71% expected to be realized in the next 12 months. Backlog was \$451,000 at September 30, 2012 and \$434,000 at March 31, 2012. 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,			
	2013		2012		2013		2012	
Revenue	\$ 141,376		\$ 143,849		\$ 278,899		\$ 279,980	
Segment operating profit	\$ 916	0.6%	\$ 2,492	1.7%	\$ 3,558	1.3%	\$ 4,372	1.6%
Depreciation and amortization	6,663		6,672		13,340		12,972	
Restructuring charges	4,773		—		4,773		—	
Segment adjusted EBITDA	\$ 12,352	8.7%	\$ 9,164	6.4%	\$ 21,671	7.8%	\$ 17,344	6.2%

For the quarter ended March 31, 2013, revenue decreased \$2,473, or 2%, compared to the prior year quarter. The decrease reflected lower volume (5%), a portion of which was attributable to Plastics exiting certain low margin products, and the unfavorable impact of foreign exchange translation (2%), partially offset by favorable mix (3%) and the pass through of higher resin costs in customer selling prices (2%). Plastics adjusts selling prices based on underlying resin costs on a delayed basis.

For the quarter ended March 31, 2013, Segment operating profit decreased \$1,576 compared to the prior year quarter. The decrease was mainly driven by restructuring charges of \$4,773. Excluding the restructuring charges, Segment operating profit increased \$3,197 due to product mix and continued efficiency improvements, partially offset by \$500 unfavorable impact of higher resin costs, which had not yet been reflected in increased selling prices.

For the six months ended March 31, 2013, revenue decreased \$1,081, or less than 1%, compared to the prior year period primarily due to lower volume (4%) and the unfavorable impact of foreign exchange translation (3%), partially offset by favorable mix (5%) and the pass through of higher resin costs in customer selling prices (1%).

For the six months ended March 31, 2013, Segment operating profit decreased \$814 compared to the prior year period. The decrease was mainly driven by restructuring charges of \$4,773. Excluding the restructuring charges, current year Segment operating profit increased \$3,959 due to product mix and continued efficiency improvements, partially offset by approximately \$5,200 unfavorable impact of higher resin costs, which had not yet been reflected in increased selling prices.

In February 2013, Plastics announced a restructuring project, primarily in Europe, with plans to exit low margin business and eliminate approximately 80 positions, resulting in the incurrence of restructuring charges of \$4,773, primarily related to one-time termination benefits and other personnel costs.

Unallocated

For the quarter ended March 31, 2013, unallocated amounts totaled \$7,980 compared to \$6,453 in the prior year; for the six months ended March 31, 2013, unallocated amounts totaled \$15,567 compared to \$12,787 in the prior year. The increases in the current quarter and six month period compared to the respective prior year periods is primarily related to increased incentive and stock based compensation costs.

Segment Depreciation and Amortization

Segment depreciation and amortization increased \$1,350 and \$3,188, respectively, for the three and six-month periods ended March 31, 2013 in comparison to the comparable prior year periods primarily due to capital spending.

Other income (expense)

For the quarters ended March 31, 2013 and 2012, Other income (expense) included \$479 and \$172 respectively, of currency exchange losses in connection with the translation of receivables and payables denominated in currencies other than the functional currencies of Griffon and its subsidiaries as well as \$321 and \$107, respectively, of investment income.

For the six months ended March 31, 2013 and 2012, Other income (expense) included \$467 and \$668 respectively, of currency exchange losses in connection with the translation of receivables and payables denominated in currencies other than the functional currencies of Griffon and its subsidiaries as well as \$353 and \$172, respectively, of investment income.

Provision (benefit) for income taxes

The effective tax rates for the quarter and six month period ended March 31, 2013 were benefits, on the pre-tax loss, of 65.7% and 59.0%, respectively, compared to provisions of 57.4% and 53.2% in the comparable prior year periods, respectively. The current year and prior year rates reflect the impact of permanent differences not deductible in determining taxable income, mainly limited deductibility of restricted stock, tax reserves and of changes in earnings mix between domestic and non-domestic operations, all of which are material relative to the level of pretax result. The current quarter and six-month period include \$309 and \$364, respectively, from discrete items primarily from the retroactively extended R&D credit signed into law January 2, 2013. There were no material discrete items in the prior year periods.

Stock based compensation

For the three and six months ended March 31, 2013, stock based compensation expense totaled \$3,338 and \$6,298, respectively. For the three and six months ended March 31, 2012, stock based compensation expense totaled \$2,651 and \$4,908, 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, 2013 and 2012.

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 include: cash flows from operating activities, capital expenditures, acquisitions, dispositions, bank lines of credit and the ability to attract long-term capital under 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 Condensed Consolidated Statements of Cash Flows:

Cash Flows from Continuing Operations <i>(in thousands)</i>	Six Months Ended March 31,	
	2013	2012
Net Cash Flows Used In:		
Operating activities	\$ (33,983)	\$ (2,208)
Investing activities	(29,779)	(62,442)
Financing activities	(28,354)	(13,652)

Cash used in continuing operations for the six months ended March 31, 2013 was \$33,983 compared to cash used of \$2,208 in the prior year. Current assets net of current liabilities, excluding short-term debt and cash, increased to \$441,569 at March 31, 2013 compared to \$360,881 at September 30, 2012, primarily due to an increase in accounts receivable and contract costs and recognized income not yet billed, partially offset by an increase in accrued liabilities and accounts payable.

During the six months ended March 31, 2013, Griffon used cash for investing activities of \$29,779 compared to \$62,442 in the prior year; the October 2011 acquisition of Southern Patio for \$22,432 was included in the prior year. Current year capital expenditures decreased \$9,210 from the comparable prior year period. Griffon expects capital spending to be in the range of \$65,000 to \$70,000 for 2013.

During the six months ended March 31, 2013, cash used in financing activities totaled \$28,354 compared to \$13,652 in the prior year. During the first and second quarters of 2013, the Board of Directors approved two quarterly cash dividends of \$0.025 per common share, which were paid on December 26, 2012 and March 27, 2013, to holders of common stock as of close of business on November 29, 2012 and February 27, 2013, respectively. Griffon repurchased common stock of \$22,109 and \$2,350 in the six months ended March 31, 2013 and 2012, respectively.

On May 7, 2013, the Board of Directors declared a quarterly cash dividend of \$0.025 per share, payable on June 26, 2013 to shareholders of record as of the close of business on May 28, 2013.

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, and where payment terms are 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, 2013:

- The United States Government and its agencies, through either prime or subcontractor relationships, represented 19% of Griffon's consolidated revenue and 78% of Telephonics' revenue.
- Procter & Gamble Co. represented 14% of Griffon's consolidated revenue and 46% of Plastics' revenue.
- The Home Depot represented 10% of Griffon's consolidated revenue and 22% of HBP's revenue.

No other customer exceeded 9% of consolidated revenue. Future operating results will continue to substantially depend on the success of Griffon's largest customers and our ongoing 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 and Equivalents and Debt <i>(in thousands)</i>	At March 31, 2013	At September 30, 2012
Cash and equivalents	\$ 116,922	\$ 209,654
Notes payables and current portion of long-term debt	19,522	17,703
Long-term debt, net of current maturities	678,773	681,907
Debt discount	14,962	16,607
Total debt	<u>713,257</u>	<u>716,217</u>
Debt, net of cash and equivalents	<u>\$ (596,335)</u>	<u>\$ (506,563)</u>

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 (“Senior Notes”); 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 via an exchange offer.

Proceeds from the Senior Notes were used to pay down 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. The fair value of the Senior Notes approximated \$594,000 on March 31, 2013 based upon quoted market prices (level 1 inputs).

On March 28, 2013, Griffon amended and increased the amount available under its Revolving Credit Facility (“Credit Agreement”) from \$200,000 to \$225,000 and extended its maturity from March 17, 2016 to March 28, 2018. The facility includes a letter of credit sub-facility with a limit of \$60,000, 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, in each case without a floor, plus an applicable margin, which adjusts based on financial performance. The current margins are 1.25% for base rate loans and 2.25% for LIBOR loans. 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 Griffon’s material domestic subsidiaries and are secured, on a first priority basis, by substantially all assets of the Company and the guarantors.

At March 31, 2013, there were \$22,712 of standby letters of credit outstanding under the Credit Agreement; \$202,288 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 current conversion rate of the 2017 Notes is 67.8495 shares of Griffon’s common stock per \$1,000 principal amount of notes, corresponding to a conversion price of \$14.74 per share. 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 March 31, 2013, aggregate dividends since the last conversion price adjustment of \$0.025 per share would have resulted in an adjustment to the conversion ratio of approximately 0.22%. At March 31, 2013 and September 30, 2012, the 2017 Notes had a capital in excess of par component, net of tax, of \$15,720. The fair value of the 2017 Notes approximated \$108,800 on March 31, 2013 based upon quoted market prices (level 1 inputs).

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.

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, 2013, \$18,473 was outstanding.

In addition, the ESOP is party to a loan agreement which requires quarterly principal payments of \$156 and interest through the extended expiration date of December 2013 at which time the \$3,125 balance of the loan, and any outstanding interest, will be payable. Griffon has the intent and ability to refinance the December 2013 balance, and has classified the balance in Long-Term Debt. 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, 2013, \$3,438 was outstanding.

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 5.3%, is secured by a mortgage on the real estate and is guaranteed by Griffon.

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 2.45% per annum and the term loan accrues interest at EURIBOR plus 2.20% per annum. The revolving facility matures in November 2013, 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.

In February 2012, Clopay do Brazil, a subsidiary of Plastics, borrowed \$4,000 at a rate of 104.5% of Brazilian CDI (7.0% at March 31, 2013). The loan was used to refinance existing loans, is collateralized by accounts receivable and a 50% guaranty by Plastics and is to be repaid in four equal, semi-annual installments of principal plus accrued interest beginning in August 2012. Clopay do Brazil also maintains lines of credit of approximately \$4,400. Interest on borrowings accrue at a rate of Brazilian CDI plus 6.0% (13.0% at March 31, 2013). At March 31, 2013 there was approximately \$4,186 borrowed under the lines.

In November 2012, Garant G.P. ("Garant") entered into a CAD \$15,000 revolving credit facility. The facility accrues interest at LIBOR or the Bankers Acceptance Rate plus 1.3% per annum (1.48% and 1.49% as of March 31, 2013). The revolving facility matures in November 2015. Garant is required to maintain a certain minimum equity. At March 31, 2013, there were no borrowings under the revolving credit facility with CAD \$15,000 available for borrowing.

At March 31, 2013 and September 30, 2012, Griffon had \$532 of 4% convertible subordinated notes due 2023 ("2023 Notes") outstanding. On April 15, 2013, the 2023 Notes were redeemed at par plus accrued interest.

At March 31, 2013, Griffon and its subsidiaries were in compliance with the terms and covenants of its credit and loan agreements.

During the six months ended March 31, 2013 and 2012, Griffon used cash for discontinued operations of \$478 and \$764, respectively, related to settling remaining Installation Services liabilities.

CRITICAL ACCOUNTING POLICIES

The preparation of Griffon's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires the use of estimates, assumptions, judgments and subjective interpretations of accounting principles that have an impact on assets, liabilities, revenue and expenses. These estimates can also affect supplemental information contained in public disclosures of Griffon, including information regarding contingencies, risk and its financial condition. These estimates, assumptions and judgments are evaluated on an ongoing basis and based on historical experience, current conditions and various other assumptions, and form the basis for estimating the carrying values of assets and liabilities, as well as identifying and assessing the accounting treatment for commitments and contingencies. Actual results may materially differ from these estimates. There have been no changes in Griffon's critical accounting policies from September 30, 2012.

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, 2012. 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, especially "Management's Discussion and Analysis", contains certain "forward-looking statements" within the meaning of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such statements relate to, among other things, income, earnings, cash flows, revenue, changes in operations, operating improvements, industries in which Griffon Corporation (the "Company" or "Griffon") operates and the United States and global economies. Statements in this Form 10-Q that are not historical are hereby identified as "forward-looking statements" and may be indicated by words or phrases such as "anticipates," "supports," "plans," "projects," "expects," "believes," "should," "would," "could," "hope," "forecast," "management is of the opinion," "may," "will," "estimates," "intends," "explores," "opportunities," the negative of these expressions, use of the future tense and similar words or phrases. Such forward-looking statements are subject to inherent risks and uncertainties that could cause actual results to differ materially from those expressed in any forward-looking statements. These risks and uncertainties include, among others: current economic conditions and uncertainties in the housing, credit and capital markets; Griffon's ability to achieve expected savings from cost control, integration and disposal initiatives; the ability to identify and successfully consummate and integrate value-adding acquisition opportunities; increasing competition and pricing pressures in the markets served by Griffon's operating companies; the ability of Griffon's operating companies to expand into new geographic and product markets and to anticipate and meet customer demands for new products and product enhancements and innovations; reduced military spending by the government on projects for which Telephonics Corporation supplies products, including as a result of sequestration which took effect in March 2013; increases in the cost of raw materials such as resin and steel; changes in customer demand or loss of a material customer at one of Griffon's operating companies; the potential impact of seasonal variations and uncertain weather patterns on certain of Griffon's businesses; political events that could impact the worldwide economy; a downgrade in Griffon's credit ratings; changes in international economic conditions including interest rate and currency exchange fluctuations; the reliance by certain of Griffon's businesses on particular third party suppliers and manufacturers to meet customer demands; the relative mix of products and services offered by Griffon's businesses, which impacts margins and operating efficiencies; short-term capacity constraints or prolonged excess capacity; unforeseen developments in contingencies, such as litigation; unfavorable results of government agency contract audits of Telephonics Corporation; Griffon's ability to adequately protect and maintain the validity of patent and other intellectual property rights; the cyclical nature of the businesses of certain of Griffon's operating companies; and possible terrorist threats and actions and their impact on the global economy. 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, 2012. Readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements speak only as of the date made. Griffon undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Item 3 - Quantitative and Qualitative Disclosure About Market Risk

Griffon's business' activities necessitates the management of various financial and market risks, including those related to changes in interest rates, foreign currency rates and commodity prices.

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 equivalents.

The revolving credit facility and certain other 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, Turkey, China, Sweden, Australia and Mexico; 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 10% 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, 2012, 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 ⁽¹⁾	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs
January 1 - 31, 2013	226,998	\$ 11.67	226,998	
February 1 - 28, 2013	330,000	11.54	330,000	
March 1 - 31, 2013	703,157 ⁽²⁾	11.83	325,000	
Total	1,260,155	\$ 11.73	881,998	\$ 20,715.1

- On August 2, 2011, the Company's Board of Directors authorized the repurchase of up to an additional \$50,000 of Griffon common stock; as of March 31, 2013, \$20,715 remained available for the purchase of Griffon common stock under this program.
- Includes 378,157 shares acquired by the Company from holders of restricted stock upon vesting of the restricted stock, to satisfy tax withholding obligations of the holders.

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**
Amended and Restated By-laws.

Effective as of May 7, 2013, Griffon amended and restated its By-laws to reflect the following modifications:

- Language has been added to clarify that the board shall fix the number of directors from time to time by resolution. The By-laws, as well as Griffon's Certificate of Incorporation, continue to require that there be at least 12, and no more than 14, directors.
- When a shareholder desires to propose that business be transacted, or proposes to nominate a person for election as a director, at a meeting of shareholders, the shareholder is required to provide a written notice to Griffon. In order to provide Griffon and its shareholders with a complete picture of the nature of the proponent's or director nominee's interest in Griffon common stock, the By-laws have been amended to require that such notice including information regarding derivative type Griffon securities held by such proponents and nominees.
- In order to conform with the Delaware General Corporation Law ("DGCL"), the maximum period for notice to shareholders of an upcoming meeting of shareholders has been increased to sixty days prior to the meeting from fifty days.
- Language has been added to accommodate the use of uncertificated securities.

The foregoing summary of Griffon's Amended and Restated By-laws is qualified in its entirety by reference to the Amended and Restated By-laws, which are filed as Exhibit 3.1 to this Quarterly Report on Form 10-Q.

Indemnification Agreements.

In accordance with the DGCL, Griffon's Certificate of Incorporation and Griffon's By-laws, on May 7, 2013, Griffon entered into a

customary indemnification agreement with Kevin F. Sullivan, a member of Griffon's Board of Directors. The indemnification agreement provides that Griffon will indemnify Mr. Sullivan to the fullest extent permitted by applicable law, and includes provisions relating to the advancement of expenses incurred by or on behalf of Mr. Sullivan. The form of the indemnification agreement is consistent with the existing indemnification agreement between Griffon and each other member of the Board, and is filed as Exhibit 10.6 to Griffon's Annual Report on Form 10-K for the Fiscal Year ended September 30, 2012.

Item 6	Exhibits
3.1	Amended and Restated By-laws of Griffon Corporation.
10.1	Griffon Corporation Director Compensation Program, dated January 30, 2013.
10.2	Griffon Corporation 2011 Equity Incentive Plan, amended as of January 30, 2013.
10.3	Letter agreement, dated March 8, 2013, among Griffon Corporation, J.P. Morgan Securities LLC and JPMorgan Chase Bank, N.A.
10.4	Amended and Restated Credit Agreement, dated as of March 28, 2013, by and among Griffon Corporation, JPMorgan Chase Bank, N.A., as administrative agent, Deutsche Bank Securities Inc., as syndication agent, Wells Fargo Bank, National Association, HSBC Bank USA, N.A and RBS Citizens, N.A., as co-documentation agents, and the other lenders party thereto (Exhibit 99.1 to the Current Report on Form 8-K filed April 1, 2013 (Commission File No. 1-06620)).
10.5	Amendment, dated as of March 28, 2013, to Guarantee and Collateral Agreement, dated as of March 18, 2011, by Griffon Corporation and certain of its subsidiaries in favor of JPMorgan Chase Bank, N.A., as administrative agent (Exhibit 99.2 to the Current Report on Form 8-K filed April 1, 2013 (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 Presentations 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
Vice President, Controller and Chief Accounting Officer
(Principal Accounting Officer)

Date: May 8, 2013

EXHIBIT INDEX

- 3.1** Amended and Restated By-laws of Griffon Corporation.
- 10.1** Griffon Corporation Director Compensation Program, dated January 30, 2013.
- 10.2** Griffon Corporation 2011 Equity Incentive Plan, amended as of January 30, 2013.
- 10.3** Letter agreement, dated March 8, 2013, among Griffon Corporation, J.P. Morgan Securities LLC and JPMorgan Chase Bank, N.A.
- 10.4** Amended and Restated Credit Agreement, dated as of March 28, 2013, by and among Griffon Corporation, JPMorgan Chase Bank, N.A., as administrative agent, Deutsche Bank Securities Inc., as syndication agent, Wells Fargo Bank, National Association, HSBC Bank USA, N.A and RBS Citizens, N.A., as co-documentation agents, and the other lenders party thereto (Exhibit 99.1 to the Current Report on Form 8-K filed April 1, 2013 (Commission File No. 1-06620)).
- 10.5** Amendment, dated as of March 28, 2013, to Guarantee and Collateral Agreement, dated as of March 18, 2011, by Griffon Corporation and certain of its subsidiaries in favor of JPMorgan Chase Bank, N.A., as administrative agent (Exhibit 99.2 to the Current Report on Form 8-K filed April 1, 2013 (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 Presentations 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”.

GRIFFON CORPORATION

* * * * *

AMENDED AND RESTATED BY-LAWS

* * * * *

ARTICLE I

OFFICES

Section 1. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. The corporation may also have offices at such other places both within and without the State of Delaware as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETING OF STOCKHOLDERS

Section 1. All meetings of the stockholders for the election of directors shall be held in the City of Wilmington, State of Delaware, at such place as may be fixed from time to time by the board of directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the board of directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual meetings of stockholders shall be held on the third Thursday of March if not a legal holiday, and if a legal holiday, then on the next secular day following, at 11:00 a.m., or at such other date and time as shall be designated from time to time by the board of directors and stated in the notice of the meeting, at which they shall elect by a plurality vote those directors whose terms have expired pursuant to the provisions of the certificate of incorporation, and transact such other business as may properly be brought before the meeting.

Section 3. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting.

Section 4. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5. Special meetings of the stockholders, for any purpose or purposes, may be called only at the written request of stockholders owning at least sixty-six and two-thirds (66-

2/3%) percent of the entire voting power of the corporation's capital stock. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose for which the meeting is called, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting, to each stockholder entitled to vote at such meeting.

Section 7. No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the board of directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this By-law and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this By-law.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the corporation. To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the corporation not less than ninety (90) days nor more than one hundred-twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that

is not within twenty-five (25) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class and series and number of shares of each class and series of capital stock of the corporation which are owned beneficially or of record by such stockholder and any other direct or indirect pecuniary or economic interest in any capital stock of the corporation of such stockholder, including, without limitation, any derivative instrument, swap (including total return swaps), option, warrant, short interest, hedge or profit sharing arrangement, and the length of time that such interests have been held, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

In addition, notwithstanding anything in this By-law to the contrary, a stockholder intending to nominate one or more persons for election as a director at an annual or special meeting of stockholders must comply with Article III, Section 13 of these By-laws for such nominations to be properly brought before such meeting.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this By-law; provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this By-law shall be deemed to preclude discussion by any stockholder of any such business. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

No business shall be conducted at a special meeting of stockholders except for such business as shall have been brought before the meeting pursuant to the corporation's notice of meeting.

Section 8. Except as otherwise provided by law or by the certificate of incorporation, the holders of a majority of the outstanding shares of the corporation entitled to vote generally in the election of directors (the "Voting Stock"), represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum of such class or series for the transaction of such business. The Chairman of the meeting or a majority of the shares so represented may adjourn the meeting from time to time, whether or not there is such a quorum. No notice of the time and place of adjourned meetings need be given except as required by law. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. The Chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

Section 9. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation, a different vote is required in which case such express provision shall govern and control the decision of such question.

Section 10. Unless otherwise provided in the certificate of incorporation or certificates of designations, and preferences, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three years from its date, unless the proxy provides for a longer period.

ARTICLE III

DIRECTORS

Section 1. The number of directors which shall constitute the whole board shall be determined from time to time by resolution passed by the board of directors; provided, however, that such number shall be not less than twelve (12) nor more than fourteen (14). No director need be a stockholder of the corporation. Any director may be removed from office with cause at any time by the affirmative vote of stockholders of record holding a majority of the outstanding shares of stock of the corporation entitled to vote, given at a meeting of the stockholders called for that purpose.

Section 2. The board of directors shall be divided into three classes as nearly equal in number as possible, and no class shall include less than four directors. The terms of office of the directors initially classified shall be as follows: that of Class I shall expire at the next annual meeting of stockholders in 1972, Class II at the second succeeding annual meeting of stockholders in 1973 and Class III at the third succeeding annual meeting of stockholders in 1974. The foregoing notwithstanding, each director shall serve until his successor shall have been duly elected and qualified, unless he shall resign, become disqualified, disabled or shall otherwise be removed. Whenever a vacancy occurs on the board of directors, a majority of the

remaining directors have the power to fill the vacancy by electing a successor director to fill that portion of the unexpired term resulting from the vacancy.

Section 3. The business of the corporation shall be managed by its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these By-laws directed or required to be exercised or done by the stockholders.

Section 4. The board of directors shall choose a chairman of the board of directors who shall preside at all meetings of stockholders and directors.

MEETINGS OF THE BOARD OF DIRECTORS

Section 5. The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 6. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

Section 7. Special meetings of the board may be called by the president or chairman of the board on one day's notice to each director, either personally or by mail or by telegram; special meetings shall be called by the president or secretary in like manner and on like notice on the written request of two directors.

Section 8. At all meetings of the board one-third (1/3) of the board of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors present

thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Unless otherwise restricted by the certificate of incorporation or these By-laws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

COMMITTEES OF DIRECTORS

Section 10. The board of directors, may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member of any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the

corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the by-laws of the corporation; and, unless the resolution or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors.

Section 11. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

COMPENSATION OF DIRECTORS; ELIGIBILITY

Section 12. Unless otherwise restricted by the certificate of incorporation, the board of directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 13. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the corporation, subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances. Nominations of persons for election to the board of directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (a) by or at the direc-

tion of the board of directors (or any duly authorized committee thereof) or (b) by any stockholder of the corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this By-law and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this By-law.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the corporation (a) in the case of an annual meeting, not less than ninety (90) days nor more than one hundred-twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within twenty-five (25) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation and employment of the person, (iii) the class and series and number of shares of each class and series of capital stock of the corporation which are owned beneficially or of record by the person and any other direct or indirect pecuniary or economic interest in any capital stock of the corporation of such person, including, without limitation, any derivative instrument, swap (including total return swaps), option, warrant, short interest, hedge or profit sharing arrangement, and the length of time that such interests have been held and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (or in any law or statute replacing such section), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class and series and number of shares of each class and series of capital stock of the corporation which are owned beneficially or of record by such stockholder and any other direct or indirect pecuniary or economic interest in any capital stock of the corporation of such stockholder, including, without limitation, any derivative instrument, swap (including total return swaps), option, warrant, short interest, hedge or profit sharing arrangement, and the length of time that such interests have been held, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation

that such stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and that such stockholder intends to appear in person or by proxy at the meeting to nominate the person or persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act (or in any law or statute replacing such section) and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this By-law. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

ARTICLE IV

NOTICES

Section 1. Whenever, under the provisions of the statutes or of the certificate of incorporation or of these By-laws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these By-laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V

OFFICERS

Section 1. The corporation shall have such officers with such titles as the board of directors shall designate from time to time by resolution, including, without limitation, any one or

more of the following: a chief executive officer, a president, a chief operating officer, a chief financial officer, a treasurer, a secretary, and one or more vice presidents and, if deemed necessary, expedient, or desirable by the board of directors, a Chairperson of the Board. Except as may otherwise be provided in the resolution of the board of directors choosing such officer, no officer need be a director of the corporation other than the Chairperson of the Board. Any number of offices may be held by the same person, as the directors may determine.

Section 2. Unless otherwise provided in the resolution choosing such officer, each officer shall be chosen for a term which shall continue until such officer's successor shall have been chosen and qualified.

Section 3. All officers of the corporation shall have such authority and perform such duties in the management and operation of the corporation as may be prescribed by the board of directors and shall have such additional authority and duties as are incident to their office except to the extent that such are inconsistent with those prescribed by the board of directors. The secretary or an assistant secretary of the corporation shall keep or cause to be kept in one or more books provided for that purpose, the minutes of all meetings of the Board, the committees of the Board and the stockholders. Any officer may be removed, with or without cause, by the board of directors. Any vacancy in any office may be filled by the board of directors.

INDEMNIFICATION PROVISION

Section 4. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, by reason of the fact that he is or was a director, officer, employee or an agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of

another corporation, partnership, joint venture, trust or other enterprise, against all expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the defense or settlement of such action, suit or proceeding, to the fullest extent and in the manner set forth in and permitted by the General Corporation Law of the State of Delaware, as from time to time in effect, and any other applicable law, as from time to time in effect. Such right of indemnification shall not be deemed exclusive of any other rights to which such director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of each such person.

The foregoing provisions of this By-law shall be deemed to be a contract between the corporation and each director, officer, employee or agent who serves in such capacity at any time while this By-law, and the relevant provisions of the General Corporation Law of the State of Delaware and other applicable law, if any, are in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts.

ARTICLE VI

CERTIFICATES OF STOCK

Section 1. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by the chairman of the board of directors, the president or a vice president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation.

Certificates may be issued for partly paid shares and in such case upon the face or back of the certificates issued to represent any such partly paid shares, the total amount of the consideration to be paid therefor, and the amount paid thereon shall be specified.

If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 2. Where a certificate is countersigned (1) by a transfer agent other than the corporation or its employee, or (2) by a registrar other than the corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

LOST CERTIFICATES

Section 3. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

TRANSFERS OF STOCK

Section 4. Transfers of shares shall be made only upon the transfer books of the corporation, kept at the office of the corporation or transfer agents and/or registrars designated by the board of directors. Any such transfer shall be made, in the case of certificated shares of stock, only by the person named in the certificate or by such person's attorney lawfully constituted in writing and upon the surrender of the certificate therefore, properly endorsed for transfer, and in the case of uncertificated shares of stock, upon receipt of proper transfer instructions from the registered holder of the shares or by such person's attorney lawfully constituted in writing.

FIXING RECORD DATE

Section 5. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

REGISTERED STOCKHOLDERS

Section 6. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

UNCERTIFICATED SHARES

Section 7. Notwithstanding anything to the contrary herein, in accordance with Section 158 of the General Corporation Law of the State of Delaware, all or any classes of capital stock of the corporation may be uncertificated shares if and to the extent so provided by the board of directors.

ARTICLE VII

GENERAL PROVISIONS

DIVIDENDS

Section 1. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

ANNUAL STATEMENT

Section 3. The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

CHECKS

Section 4. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

FISCAL YEAR

Section 5. The fiscal year of the corporation shall be fixed by resolution of the board of directors.

SEAL

Section 6. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words, "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE VIII

AMENDMENTS

Section 1. These By-laws may be altered, amended, repealed, or new By-laws may be adopted by the stockholders or by the board of directors, when such power is conferred upon the board of directors by the certificate of incorporation, at any regular meeting of the stockholders or of the board of directors or at any special meeting of the stockholders or of the board of directors if notice of such alteration, amendment, repeal or adoption of new By-laws be contained in the notice of such special meeting.

Griffon Corporation
Director Compensation Program
(adopted as of January 30, 2013)

Each member of the Board of Directors (the "Board") of Griffon Corporation (the "Company") who is not an employee of the Company (each a "Non-employee Director") shall receive compensation for such person's services as a member of the Board as outlined in this Director Compensation Program.

Cash Compensation

Annual Retainer Fees

- Annual retainer fee in the amount of \$45,000
- Additional annual retainer fee in the amount of \$75,000 for the Non-executive Chairman of the Board
- Additional annual retainer fee for the Chairmen of the following Committees:
 - Audit – \$12,500
 - Compensation – \$10,000
 - Nominating and Corporate Governance – \$5,000
- Additional annual retainer fee in the amount of \$15,000 for the Lead Independent Director

Meeting Fees

- Fee in the amount of \$1,500 for attending any meeting of the Board
- Fee in the amount of \$2,500 for attending any meeting of the Audit Committee
- Fee in the amount of \$1,500 for attending any meeting of any committee other than the Audit Committee

Equity Compensation

Upon (1) initial election to the Board and (2) upon re-election to the Board and effective as of the date of the Annual Meeting of Stockholders each year, each Non-employee Director shall be awarded a grant of 3,333 restricted shares. The restricted shares shall vest ratably at the rate of 1/3 of the total shares on each of the first, second and third anniversary of the date of grant. If service as a director terminates due to death or disability, or if a change in control occurs, all shares immediately vest.

The number of shares to be granted annually shall be subject to review from time to time based on the Company's stock price and financial circumstances.

GRIFFON CORPORATION
2011 EQUITY INCENTIVE PLAN

(as amended and restated on January 30, 2013)

1. **Purpose.** The purpose of the Griffon Corporation 2011 Equity Incentive Plan (the “Plan”) is to attract, motivate and retain selected employees, consultants and non-employee directors for the Company and its subsidiaries, to provide such persons with incentives and rewards for superior performance and to better align the interests of such persons with the interests of the Company’s stockholders.

2. **Definitions.** As used in this Plan, the following terms shall be defined as set forth below:

2.1. “*Award*” means any Performance Shares, Performance Units, Options, Stock Appreciation Rights, Restricted Shares, Deferred Shares or Other Stock-Based Awards granted under the Plan.

2.2. “*Award Agreement*” means an agreement, certificate, resolution or other form of writing or other evidence approved by the Committee that sets forth the terms and conditions of an Award. An Award Agreement may be in an electronic medium, or may be limited to a notation on the Company’s books or records, but shall be signed by a representative of the Company and the Participant unless otherwise approved by the Committee.

2.3. “*Base Price*” means the price used as the basis for determining the Spread upon the exercise of Stock Appreciation Right.

2.4. “*Board*” means the Board of Directors of the Company.

2.5. “*Cause*” means, (a) if the applicable Participant is party to an effective employment, consulting, severance or similar agreement with the Company or any of its Subsidiaries, the meaning of such term as defined therein; (b) if the applicable Participant is not a party to an effective employment, consulting, severance or similar agreement or if no definition of “Cause” is set forth in the applicable employment, consulting, severance or similar agreement, “Cause” shall have the same meaning as such term is defined in the applicable Award Agreement; and (c) if the applicable Participant is not a party to any effective employment, consulting, severance or similar agreement or no definition of “Cause” is set forth in the applicable employment, consulting, severance or similar agreement, and no definition of “Cause” is set forth in the applicable Award Agreement, “Cause” shall mean (i) engaging in (A) willful or gross misconduct or (B) willful or gross neglect; (ii) failing to adhere to the directions of superiors or the Board or the written policies and practices of the Company or its Subsidiaries or affiliates; (iii) the commission of a felony or a crime involving any of the following: moral turpitude, dishonesty, breach of trust or unethical business conduct; or the commission of any crime involving the Company or its Subsidiaries or affiliates; (iv) fraud, misappropriation or embezzlement; (v) a material breach of the Participant’s employment agreement (if any) with the Company or its Subsidiaries or affiliates; (vi) acts or omissions constituting a material failure to perform substantially and adequately the duties assigned to the Participant; (vii) any illegal act detrimental to the Company or its Subsidiaries or affiliates; or (viii) repeated failure to devote

substantially all of the Participant's business time and efforts to the Company if required by the Participant's employment agreement.

2.6. "*Change in Control*" means, after the Effective Date:

(i) the acquisition, directly or indirectly, by a "person" (within the meaning of Section 13(d)(3) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 20% of the combined voting power of the voting securities of the Company entitled to vote generally in the election of directors (the "Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change in Control: (a) any acquisition by or from the Company or any Subsidiary, or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (b) any acquisition by an individual who as of the Effective Date is a member of the Board, (c) any acquisition by any underwriter in any firm commitment underwriting of securities to be issued by the Company, or (d) any acquisition by any corporation (or other entity) if, immediately following such acquisition, 65% or more of the then outstanding shares of common stock (or other equity unit) of such corporation (or other entity) and the combined voting power of the then outstanding voting securities of such corporation (or other entity), are beneficially owned, directly or indirectly, by all or substantially all of the individuals or entities who, immediately prior to such acquisition, were the beneficial owners of the then outstanding Shares and the Voting Securities in substantially the same proportions, respectively, as their ownership immediately prior to the acquisition of the Stock and Voting Securities; or

(ii) the consummation of the sale or other disposition of all or substantially all of the assets of the Company, other than to a wholly-owned Subsidiary or to a holding company of which the Company is a direct or indirect wholly owned subsidiary prior to such transaction; or

(iii) the consummation of a reorganization, merger or consolidation of the Company, other than a reorganization, merger or consolidation, which would result in the Voting Securities outstanding immediately prior to the transaction continuing to represent (whether by remaining outstanding or by being converted to voting securities of the surviving entity) 65% or more of the Voting Securities or the voting power of the voting securities of such surviving entity outstanding immediately after such transaction; or

(iv) the consummation of a plan of complete liquidation or substantial dissolution of the Company; or

(v) the following individuals cease for any reason to constitute a majority of the Board: individuals who, as of the Effective Date, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including, but not limited to, a consent solicitation relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved and recommended by a vote of at least two-thirds of the directors then still in office who

either were directors on the Effective Date or whose appointment, election or nomination for election was previously so approved or recommended; or

(vi) the sale, transfer, assignment, distribution or other disposition by the Company and/or one of its Subsidiaries, in one transaction, or in a series of related transactions within any period of 18 consecutive calendar months (including, without limitation, by means of the sale, transfer, assignment, distribution or other disposition of the capital stock of any Subsidiary or Subsidiaries), of assets which account for an aggregate of 50% or more of the consolidated revenues of the Company and its Subsidiaries, as determined in accordance with U.S. generally accepted accounting principles, for the fiscal year most recently ended prior to the date of such transaction (or, in the case of a series of transactions as described above, the first such transaction); provided, however, that no such transaction shall be taken into account if substantially all the proceeds thereof (whether in cash or in kind) are used after such transaction in the ongoing conduct by the Company and/or its Subsidiaries of the business conducted by the Company and/or its Subsidiaries prior to such transaction; or

(vii) notwithstanding Sections 2.6(i) through 2.6(vi) above, in the case of a distribution under the Plan of an amount which is subject to Section 409A of the Code, an event which constitutes a “change in control event” as defined under Section 409A of the Code.

2.7. “*Code*” means the Internal Revenue Code of 1986, as amended from time to time and the regulations and other guidance issued thereunder.

2.8. “*Committee*” means the Compensation Committee of the Board. The Committee shall have at least two members, each of whom shall be a “non-employee director” as defined in Rule 16b-3 under the Exchange Act and an “outside director” as defined in Section 162(m) of the Code and the regulations thereunder, and, if applicable meet the independence requirements of the applicable stock exchange, quotation system or other self-regulatory organization on which the Shares are traded.

2.9. “*Company*” means Griffon Corporation, a Delaware corporation, or any successor corporation.

2.10. “*Consultant*” means an individual who renders services to the Company or a Subsidiary as a consultant, advisor or independent contractor.

2.11. “*Deferral Period*” means the period of time during which Deferred Shares are subject to deferral limitations under Section 9.

2.12. “*Deferred Shares*” means an Award pursuant to Section 9 of the right to receive Shares at the end of a specified Deferral Period.

2.13. “*Effective Date*” has the meaning provided in Section 22.

2.14. “*Employee*” means any person, including an officer, employed by the Company or a Subsidiary.

2.15. “*Exchange Act*” means the Securities Exchange Act of 1934, as amended from time to time, including rules thereunder and successor provisions and rules thereto.

2.16. “*Fair Market Value*” means, on any given date, unless otherwise determined by the Committee, the closing sale prices reported as having occurred on the New York Stock Exchange (or other principal exchange or market on which the Shares are traded or listed) on such date, or, if no sale was made on such date on such principal exchange or market, on the last preceding day on which the Shares were traded or listed.

2.17. “*Grant Date*” means the date specified by the Committee on which a grant of an Award shall become effective, which shall not be earlier than the date on which the Committee takes action with respect thereto.

2.18. “*Incentive Stock Option*” means any Option which meets the requirements of Section 422 of the Code and which is designated as an Incentive Stock Option by the Committee in the Award Agreement, and if the Committee does not designate an Option as an Incentive Stock Option in the Award Agreement, it shall not be treated as an incentive stock option hereunder.

2.19. “*Non-employee Director*” means a member of the Board who is not an Employee.

2.20. “*Nonqualified Stock Option*” means an Option that is not intended to qualify as an Incentive Stock Option.

2.21. “*Option*” means any option to purchase Shares granted under Section 6.

2.22. “*Optionee*” means the person so designated in an agreement evidencing an outstanding Option.

2.23. “*Option Price*” means the purchase price per share payable upon the exercise of an Option.

2.24. “*Other Stock-Based Award*” means an Award granted pursuant to Section 9A.

2.25. “*Participant*” means an Employee, Non-employee Director or Consultant who is selected by the Committee to receive an Award, provided that only Employees may receive grants of Incentive Stock Options.

2.26. “*Performance Objectives*” means the performance objectives established in the sole discretion of the Committee for Participants who are eligible to receive Awards under the Plan. Performance Objectives may be described in terms of Company-wide objectives or objectives that are related to the performance of the individual Participant or the Subsidiary, division, department or function within the Company or Subsidiary in which the Participant is employed. Performance Objectives may be measured on an absolute or relative basis. Relative performance may be measured by a group of peer companies or by a financial market index. Any Performance Objectives applicable to a Qualified Performance-Based Award shall be limited to: specified levels of or increases in the Company’s, a division’s or a Subsidiary’s return on capital, equity or assets; earnings measures/ratios (on a gross, net, pre-tax or post-tax basis),

including basic earnings per share, diluted earnings per share, total earnings, operating earnings, earnings growth, earnings before interest and taxes and earnings before interest, taxes, depreciation and amortization; net economic profit (which is operating earnings minus a charge to capital); net income; operating income; sales; sales growth; gross margin; direct margin; Share price (including but not limited to growth measures and total stockholder return); operating profit; per period or cumulative cash flow (including but not limited to operating cash flow and free cash flow) or cash flow return on investment (which equals net cash flow divided by total capital); inventory turns; financial return ratios; market share; balance sheet measurements such as receivable turnover; improvement in or attainment of expense levels; improvement in or attainment of working capital levels; debt reduction; strategic innovation; customer or employee satisfaction; the consummation of one or more acquisitions of a certain size as measured by one or more of the financial criteria listed above in this Section 2.26; individual objectives; and any combination of the foregoing. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Performance Objectives unsuitable, the Committee may modify such Performance Objectives or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable.

2.27. "*Performance Period*" means a period of time established under Section 5 within which the Performance Objectives relating to Awards are to be achieved.

2.28. "*Performance Share*" means a bookkeeping entry that records the equivalent of one Share awarded pursuant to Section 5.

2.29. "*Performance Unit*" means a bookkeeping entry that records a unit equivalent to \$1.00 awarded pursuant to Section 5.

2.30. "*Qualified Performance-Based Award*" means an Award or portion of an Award that is intended to satisfy the requirements for "qualified performance-based compensation" under Code Section 162(m). The Committee shall designate any Qualified Performance-Based Award as such at the time of grant.

2.31. "*Restricted Shares*" mean Shares granted under Section 8 subject to a substantial risk of forfeiture.

2.32. "*Shares*" means shares of the Common Stock of the Company, \$.25 par value, or any security into which Shares may be converted by reason of any transaction or event of the type referred to in Section 14.

2.33. "*Spread*" means, in the case of a Stock Appreciation Right, the amount by which the Fair Market Value on the date when any such right is exercised exceeds the Base Price specified in such right.

2.34. "*Stock Appreciation Right*" means a right granted under Section 7.

2.35. "*Subsidiary*" means a corporation or other entity in which the Company owns or controls directly or indirectly at least 50 percent of the total combined voting power represented

by all classes of stock issued by such corporation, or in the case of a noncorporate entity, at least 50% of the profits or capital interests in such entity, at the time of such grant.

3. *Shares Available Under the Plan.*

3.1. *Reserved Shares.* Subject to adjustment as provided in Section 14, the maximum number of Shares that may be (a) issued upon the exercise or settlement of Options or Stock Appreciation Rights, (b) issued as Restricted Shares and released from substantial risk of forfeiture, (c) issued in payment of Deferred Shares or Performance Shares, or (d) issued in connection with Other Stock-Based Awards, shall not in the aggregate exceed 3,000,000 Shares plus any shares underlying awards outstanding as of the Effective Date under the Griffon Corporation 2006 Equity Incentive Plan that are subsequently cancelled or forfeited. Such Shares may be Shares of original issuance, Shares held in Treasury, or Shares that have been reacquired by the Company. In addition:

(i) To the extent any Shares covered by an Award are not issued to a Participant (or, if applicable, his heir, legatee or permitted transferee) because the Award is forfeited or canceled, such Shares shall not be deemed to have been issued for purposes of determining the maximum number of Shares available for issuance under the Plan.

(ii) Shares issued under the Plan in settlement, assumption or substitution of outstanding awards (or obligations to grant future awards) under the plans or arrangements of another entity shall not reduce the maximum number of Shares available for issuance under the Plan, to the extent that such settlement, assumption or substitution is a result of the Company acquiring another entity (or an interest in another entity).

3.2. *ISO Maximum.* In no event shall the number of Shares issued upon the exercise of Incentive Stock Options exceed 600,000 Shares, subject to adjustment as provided in Section 14.

3.3. *Maximum Annual Award.* No Participant may receive Awards (including performance-based Awards) in the aggregate in any one fiscal year, subject to adjustment as provided in Section 14, representing more than: (i) 2,000,000 Shares underlying Options; and (ii) 1,000,000 Shares underlying Performance Shares, Performance Units, Stock Appreciation Rights, Restricted Shares, Deferred Shares and Other Stock-Based Awards. Notwithstanding the above, the maximum number of shares that may be granted to a Participant in any one Performance Period underlying Performance Shares and Performance Units that are intended to be Qualified Performance-Based Awards is 1,000,000 Shares, subject to adjustment as provided in Section 14.

4. *Plan Administration.*

4.1. *Committee Administration.* This Plan shall be administered by the Committee. The interpretation and construction by the Committee of any provision of this Plan or of any Award Agreement and any determination by the Committee pursuant to any provision of this Plan or any such agreement, notification or document, shall be final and conclusive. No member of the Committee shall be liable to any person for any such action taken or determination made, other than one made in bad faith.

4.2. *Committee Powers*. The Committee shall have full authority to interpret the Plan; to establish and amend rules and regulations relating to the Plan; to select the Participants and determine the type of Awards to be made to Participants, the number of shares subject to Awards and the terms, conditions, restrictions and limitations of Awards; and to make all other determinations as are necessary or advisable for the administration of the Plan.

4.3. *Committee Delegation*. The Committee may delegate to one or more officers of the Company the authority to grant Awards to Participants who are not subject to the requirements of Section 16 of the Exchange Act or Section 162(m) of the Code and the rules and regulations thereunder, provided that the Committee shall have fixed the total number of Shares subject to such grants. Any such delegation shall be subject to the limitations of Section 157(c) of the Delaware General Corporation Law. The Committee may revoke any such allocation or delegation at any time for any reason with or without prior notice.

5. *Performance Shares and Performance Units*. The Committee may authorize grants of Performance Shares and Performance Units, which shall vest and become payable to the Participant upon the achievement of specified Performance Objectives during a specified Performance Period, upon such terms and conditions as the Committee may determine in accordance with the following provisions:

5.1. *Terms and Conditions of Performance Share/Performance Unit Awards*. Each grant shall specify the number of Performance Shares or Performance Units to which it pertains. The Performance Period with respect to each Performance Share or Performance Unit shall commence on the Grant Date and may be subject to earlier termination in the event of a Change in Control or other similar transaction or event. Each grant shall specify the Performance Objectives that are to be achieved by the Participant. Each grant may specify in respect of the specified Performance Objectives a minimum acceptable level of achievement below which no payment shall be made and may set forth a formula for determining the amount of any payment to be made if performance is at or above such minimum acceptable level but falls short of the maximum achievement of the specified Performance Objectives.

5.2. *Payment of Performance Shares and Units*. Each grant shall specify the time and manner of payment of Performance Shares or Performance Units that shall have been earned, and shall be paid by the Company in Shares.

5.3. *Maximum Payment*. Subject to Section 3.4 of the Plan, any grant of Performance Shares may specify that the number of Shares payable with respect thereto may not exceed a maximum number of Shares specified by the Committee on the Grant Date.

5.4. *Adjustment of Performance Objectives*. The Committee may adjust Performance Objectives and the related minimum acceptable level of achievement if, in the sole judgment of the Committee, events or transactions have occurred after the Grant Date that are unrelated to the performance of the Participant and result in distortion of the Performance Objectives or the related minimum acceptable level of achievement.

5.5. *Qualified Performance-Based Awards.* In the case of a Qualified Performance-Based Award the following provisions shall apply in addition to, and where necessary, in lieu of other provisions of the Plan, including the provisions of Sections 5.1 through 5.4:

(i) Only Employees who are "Covered Employees" within the meaning of Section 162(m) of the Code shall be eligible to receive Qualified Performance-Based Awards. The Committee shall designate in its sole discretion which Covered Employees shall be Participants for a Performance Period within the earlier of the (a) first 90 days of a Performance Period and (b) the lapse of 25% of the Performance Period.

(ii) The Committee shall establish in writing within the earlier of the (a) first 90 days of a Performance Period and (b) the lapse of 25% of the Performance Period, and in any event, while the outcome is substantially uncertain, (x) Performance Objectives for the Performance Period, and (y) in respect of such Performance Objectives, a minimum acceptable level of achievement below which no Award shall be made, and an objective formula or other method for determining the Award to be made if performance is at or above such minimum acceptable level but falls short of the maximum achievement of the specified Performance Objectives.

(iii) Following the completion of a Performance Period, the Committee shall review and certify in writing whether, and to what extent, the Performance Objectives for the Performance Period have been achieved and, if so, calculate and certify in writing the amount of the Qualified Performance-Based Awards earned for the period based upon the Performance Objectives and the related formulas or methods as determined pursuant to Section 5.5(ii). The Committee shall then determine the actual number of Shares issuable under each Participant's Award for the Performance Period, and, in doing so, may reduce or eliminate the amount of the Award, as permitted in the Award Agreement. In no event shall the Committee have the authority to increase Award amounts to any Covered Employee.

(iv) Subject to Section 20.2, Awards granted for a Performance Period shall be made to Participants within a reasonable time after completion of the certification described in Section 5.5(iii).

5.6. *Other Awards.* Any grant of an Award under Sections 6, 7, 8, 9 or 9A and/or the vesting or exercise thereof, may be further conditioned upon the attainment of Performance Objectives established by the Committee in accordance with the applicable provisions of this Section 5 regarding Performance Shares and Performance Units.

6. *Options.* The Committee may from time to time authorize grants of Options to Participants upon such terms and conditions as the Committee may determine in accordance with the following provisions:

6.1. *Number of Shares.* Each grant shall specify the number of Shares to which it pertains.

6.2. *Option Price.* Each grant shall specify an Option Price per Share, which shall be equal to or greater than the Fair Market Value per Share on the Grant Date; provided that in the

case of any Incentive Stock Option granted to a person who on any given date owns, either directly or indirectly (taking into account the attribution rules contained in Section 424(d) of the Code), stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any Subsidiary, the Option Price shall not be less than 110% of the Fair Market Value of a Share on the date of grant.

6.3. *Consideration.* Each grant shall specify the form of consideration to be paid in satisfaction of the Option Price and the manner of payment of such consideration, which may include (i) cash in the form of currency or check or other cash equivalent, in each such case as is acceptable to the Company, (ii) subject to approval by the Committee, nonforfeitable, unrestricted Shares owned by the Optionee, or shares underlying the Option being exercised, (iii) any other legal consideration that the Committee may deem appropriate on such basis as the Committee may determine in accordance with this Plan, or (iv) any combination of the foregoing.

6.4. *Broker Assisted Exercise.* To the extent such program is permitted by the Company and permitted by applicable law, rule or regulations, the Option Price may be satisfied from the proceeds of a sale through a bank or broker on the date of exercise of some or all of the Shares to which the exercise relates pursuant to a broker assisted exercise program provided by such bank or broker.

6.5. *Exercise Period.* No Option granted may be exercised more than ten years after the Grant Date; provided that in the case of any Incentive Stock Option granted to a person who on any given date owns, either directly or indirectly (taking into account the attribution rules contained in Section 424(d) of the Code), stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any Subsidiary, such Option may not be exercised more than five years after the Grant Date.

6.6. *Disqualifying Dispositions of ISOs.* Each Participant awarded an Incentive Stock Option under the Plan shall notify the Company in writing immediately after the date he or she makes a disqualifying disposition (as defined in Section 421(b) of the Code) of any Shares acquired pursuant to the exercise of such Incentive Stock Option. The Company may, if determined by the Committee and in accordance with procedures established by it, retain possession of any Shares acquired pursuant to the exercise of an Incentive Stock Option as agent for the applicable Participant until the end of the period described in the preceding sentence, subject to complying with any instructions from such Participant as to the sale of such Shares.

7. ***Stock Appreciation Rights.*** The Committee may also authorize grants to Participants of Stock Appreciation Rights. A Stock Appreciation Right is the right of the Participant to receive from the Company an amount, which, shall be determined by the Committee and shall be expressed as a percentage (not exceeding 100 percent) of the Spread at the time of the exercise of such right. Any grant of Stock Appreciation Rights shall be upon such terms and conditions as the Committee may determine in accordance with the following provisions:

7.1. *Payment in Shares.* Any amount payable upon the exercise of a Stock Appreciation Right shall be paid by the Company in Shares. Any grant may specify that the

number of Shares payable upon the exercise of a Stock Appreciation Right shall not exceed a maximum number of Shares specified by the Committee on the Grant Date.

7.2. *Exercise Period.* Any grant may specify (a) a waiting period or periods before Stock Appreciation Rights shall become exercisable and (b) permissible dates or periods on or during which Stock Appreciation Rights shall be exercisable; provided that no Stock Appreciation Right granted may be exercised more than ten years after the Grant Date. A grant may specify that a Stock Appreciation Right may be exercised only in the event of a Change in Control or other similar transaction or event.

7.3. *Base Price.* Each grant shall specify in respect of each Stock Appreciation Right a Base Price per Share, which shall be equal to or greater than the Fair Market Value of such Share on the Grant Date.

7.4. *Deemed Exercise.* The Committee may provide that a Stock Appreciation Right shall be deemed to be exercised at the close of business on the scheduled expiration date of such Stock Appreciation Right if at such time the Stock Appreciation Right by its terms remains exercisable and, if so exercised, would result in a payment of Shares to the holder of such Stock Appreciation Right.

8. **Restricted Shares.** The Committee may also authorize grants to Participants of Restricted Shares upon such terms and conditions as the Committee may determine in accordance with the following provisions:

8.1. *Transfer of Shares.* Each grant shall constitute an immediate transfer of the ownership of Shares to the Participant in consideration of the performance of services, subject to the substantial risk of forfeiture and restrictions on transfer referred to in Section 10. Each grant may be made without additional consideration from the Participant or in consideration of a payment by the Participant that is less than the Fair Market Value of such Shares on the Grant Date.

8.2. *Dividends.* Unless otherwise provided by the Committee in an Award Agreement, all dividends or other distributions paid on the Restricted Shares during the period of such restrictions shall be subject to the same restrictions as the underlying Award.

9. **Deferred Shares.** The Committee may authorize grants of Deferred Shares to Participants upon such terms and conditions as the Committee may determine in accordance with the following provisions:

9.1. *Deferred Transfer of Shares.* Each grant shall constitute the agreement by the Company to issue or transfer Shares to the Participant in the future in consideration of the performance of services, subject to the fulfillment during the Deferral Period of such conditions as the Committee may specify.

9.2. *Consideration.* Each grant may be made without additional consideration from the Participant or in consideration of a payment by the Participant that is less than the Fair Market Value of such Shares on the Grant Date.

9A. **Other Stock-Based Awards.** The Committee may authorize grants to Participants of Awards, other than those described in Sections 5 through 9, that are based on, related to, or are in some form of, Shares (“Other Stock-Based Awards”). Such Other Stock-Based Awards shall be in such form and have such conditions as the Committee shall determine from time to time, including, without limitation, to whom such Other Stock-Based Awards shall be made, the number of Shares to be awarded thereunder (or underlying such Award), and whether such Other Stock-Based Awards shall be settled in cash, Shares or a combination of cash and Shares.

10. **Vesting.**

10.1. *In General.* Each grant of Options and Stock Appreciation Rights shall specify the period of continuous employment by the Company or any Subsidiary, or service to the Company or any Subsidiary (and in the case of a Non-employee Director, service on the Board), of the Participant that is necessary before such Options or Stock Appreciation Rights, or installments thereof, shall become exercisable. Each grant of Restricted Shares shall specify the period during which such Restricted Shares shall be subject to a “substantial risk of forfeiture” within the meaning of Code Section 83, and each grant of Deferred Shares shall specify the Deferral Period to which such Deferred Shares shall be subject. Each grant of such Award may provide for the earlier exercise of rights, termination of a risk of forfeiture or termination of a Deferral Period in the event of a Change in Control or similar transaction or event.

10.2. *Restrictions on Transfer of Restricted Shares.* Each grant of Restricted Shares shall provide that, during the period for which a substantial risk of forfeiture is to continue, the transferability of the Restricted Shares shall be prohibited or restricted in the manner and to the extent prescribed by the Committee on the Grant Date. Such restrictions may include, without limitation, rights of repurchase or first refusal in the Company or provisions subjecting the Restricted Shares to a continuing substantial risk of forfeiture in the hands of any transferee.

11. **Dividends and Other Ownership Rights.**

11.1. *Restricted Shares.* Except as otherwise determined by the Committee, an Award of Restricted Shares shall entitle the Participant to voting and other ownership rights during the period for which a substantial risk of forfeiture is to continue. Notwithstanding the foregoing, except as otherwise determined by the Committee at or after the time of grant of an Award, any dividends or other distributions paid on the Restricted Shares during the period of such restrictions shall be subject to the same restrictions as the underlying Award.

11.2. *Deferred Shares.* Unless otherwise determined by the Committee, during the Deferral Period, the Participant shall not have any right to transfer any rights under an Award of Deferred Shares, shall not have any rights of ownership in the Deferred Shares and shall not have any right to vote such Shares.

12. **Transferability.**

12.1. *Transfer Restrictions.* Except as provided in Section 12.2, no Award granted shall be transferable by a Participant other than by will or the laws of descent and distribution, and Options and Stock Appreciation Rights shall be exercisable during a Participant’s lifetime only by the Participant or, in the event of the Participant’s legal incapacity, by his or her guardian or

legal representative acting in a fiduciary capacity on behalf of the Participant under state law. Any attempt to transfer an Award in violation of this Plan shall render such Award null and void.

12.2. *Limited Transfer Rights.* The Committee may expressly provide in an Award Agreement (or an amendment to an Award Agreement) that a Participant may transfer such Award (other than an Incentive Stock Option), in whole or in part, to a spouse or lineal descendant (a “Family Member”), a trust for the exclusive benefit of Family Members, a partnership or other entity in which all the beneficial owners are Family Members, or any other entity affiliated with the Participant that may be approved by the Committee. Subsequent transfers of Awards shall be prohibited except in accordance with this Section 12.2. All terms and conditions of the Award, including without limitation provisions relating to termination of the Participant’s employment or service with the Company or a Subsidiary, shall continue to apply following a transfer made in accordance with this Section 12.2. In order for a transfer to be effective, a Participant must agree in writing prior to the transfer on a form provided by the Company to pay any and all payroll and withholding taxes due upon exercise of the transferred Option. In addition, prior to the exercise of a transferred Option by a transferee, arrangements must be made by the Participant with the Company for the payment of all payroll and withholding taxes. Finally, the Company shall be under no obligation to provide a transferee with any notice regarding the transferred Awards held by the transferee upon forfeiture or any other circumstance.

12.3. *Restrictions on Transfer.* Any Award granted may provide that all or any part of the Shares that are (a) to be issued or transferred by the Company upon the exercise of Options or Stock Appreciation Rights, upon termination of the Deferral Period applicable to Deferred Shares or upon payment under any grant of Performance Shares or Performance Units, or (b) no longer subject to the substantial risk of forfeiture and restrictions on transfer referred to in Section 10, shall be subject to further restrictions upon transfer, including restrictions relating to any minimum Share ownership requirements imposed by the Company with respect to a Participant.

13. *Award Agreement.* Each grant under the Plan shall be evidenced by an Award Agreement, which shall describe the subject Award, state that the Award is subject to all of the terms and conditions of this Plan and contain such other terms and provisions as the Committee may determine consistent with this Plan.

14. *Adjustments.* The Committee shall make or provide for appropriate adjustments in the (a) number of Shares covered by outstanding Options, Stock Appreciation Rights, Deferred Shares, Restricted Shares, Performance Shares and Other Stock-Based Awards granted hereunder, (b) prices per Share applicable to such Options and Stock Appreciation Rights, and (c) kind of Shares covered thereby (including Shares of another issuer), as the Committee in its sole discretion may in good faith determine to be equitably required in order to prevent dilution or enlargement of the rights of Participants that otherwise would result from (x) any stock dividend, stock split, combination or exchange of Shares, recapitalization or other change in the capital structure of the Company, (y) any merger, consolidation, spin-off, spin-out, split-off, split-up, reorganization, partial or complete liquidation or other distribution of assets (other than a normal cash dividend), issuance of rights or warrants to purchase securities, or (z) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the

event of any such transaction or event, the Committee may provide in substitution for any or all outstanding Awards such alternative consideration as it may in good faith determine to be equitable under the circumstances and may require in connection therewith the surrender of all Awards so replaced. The Committee may also make or provide for such adjustments in each of the limitations specified in Section 3 as the Committee in its sole discretion may in good faith determine to be appropriate in order to reflect any transaction or event described in this Section 14. The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

15. **Fractional Shares.** The Company shall not be required to issue any fractional Shares pursuant to this Plan. The Committee may provide for the elimination of fractions or for the settlement thereof in cash.

16. **Withholding Taxes.** The Company shall be entitled to deduct from any payment under the Plan, regardless of the form of such payment, the amount of all applicable income and employment taxes required by law to be withheld with respect to such payment or may require the Participant to pay to it such tax prior to and as a condition of the making of such payment. In accordance with any applicable administrative guidelines it establishes, the Committee may allow a Participant to pay the amount of taxes required by law to be withheld from an Award by withholding from any payment of Shares due as a result of such Award, or by permitting the Participant to deliver to the Company Shares having a Fair Market Value, as determined by the Committee, equal to the minimum amount of such required withholding taxes.

17. **Certain Terminations of Employment, Hardship and Approved Leaves of Absence.** In the event of termination of employment by reason of death, disability, normal retirement, early retirement with the consent of the Committee, other termination of employment or a leave of absence that is approved by the Committee, or in the event of hardship or other special circumstances that are approved by the Committee, of a Participant who holds an Option or Stock Appreciation Right that is not immediately and fully exercisable, any Restricted Shares as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, any Deferred Shares as to which the Deferral Period is not complete, any Performance Shares or Performance Units that have not been fully earned, any Shares that are subject to any transfer restriction pursuant to Section 12.3, or any Other Stock-Based-Award that is subject to any similar limitations or restrictions, the Committee may, in its sole discretion, take any action that it deems to be equitable under the circumstances or in the best interests of the Company, including without limitation waiving or modifying any limitation or requirement with respect to any Award and providing for post-termination exercise periods with respect to any Option or Stock Appreciation Right; provided that in the case of any Award subject to Section 409A of the Code, the Committee shall not take any action pursuant to this Section 17 unless such action is permissible under Section 409A of the Code and the regulations thereunder.

18. **Termination for Cause.** A Participant who is terminated for Cause shall, unless otherwise determined by the Committee, immediately forfeit, effective as of the date the Participant engages in such conduct, all unexercised, unearned, and/or unpaid Awards, including, but not by way of limitation, Awards earned but not yet paid or exercised, all unpaid dividends and all interest, if any, accrued on the foregoing.

19. **Foreign Participants.** In order to facilitate the making of any grant or combination of grants under this Plan, the Committee may provide for such special terms for Awards to Participants who are foreign nationals, or who are employed by or perform services for the Company or any Subsidiary outside of the United States of America, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, this Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of this Plan as in effect for any other purpose, provided that no such supplements, amendments, restatements or alternative versions shall include any provisions that are inconsistent with the terms of this Plan, as then in effect, unless this Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Company.

20. **Amendments and Other Matters.**

20.1. *Plan Amendments.* This Plan may be amended from time to time by the Board, but no such amendment shall: (a) increase any of the limitations specified in Section 3, other than to reflect an adjustment made in accordance with Section 14, (b) change the class of persons eligible to receive grants of Awards or the types of Awards available under the Plan, or (c) increase the benefits to Participants under the Plan, in any such case without the further approval of the stockholders of the Company. The Board shall also condition any amendment on the approval of the stockholders of the Company if such approval is necessary with respect to the applicable listing or other requirements of a national securities exchange or other applicable laws, policies or regulations, and the Board may condition any amendment on the approval of the stockholders of the Company if such approval is deemed advisable to comply with such requirements.

20.2. *Award Deferrals.* An Award Agreement may provide that payment of any Award, dividend, or any portion thereof, may be deferred by a Participant until such time as the Committee may establish, provided that no Award of any Option or a Stock Appreciation Right shall be permitted to be deferred and further provided that such deferral is made in accordance with the requirements of Section 409A of the Code. All such deferrals shall be accomplished by the delivery of a written, irrevocable election by the Participant prior to the time established by the Committee in accordance with the requirements of Section 409A of the Code for such purpose, on a form provided by the Company. Deferred Awards may also be credited with interest, at such rates to be determined by the Committee.

20.3. *Conditional Awards.* To the extent permitted under Section 409A of the Code, the Committee may condition the grant of any Award or combination of Awards on the surrender or deferral by the Participant of his or her right to receive a cash bonus or other compensation otherwise payable by the Company or any Subsidiary to the Participant.

20.4. *Repricing Prohibited.* No Award may be repriced, replaced, regranted through cancellation, or modified, directly or indirectly, without the approval of the stockholders of the Company, provided that nothing herein shall prevent the Committee from taking any action provided for in Section 14.

20.5. *Underwater Option Buyouts Prohibited.* Without the approval of the stockholders of the Company, the Company shall not cancel, or acquire in exchange for cash or other property, any Underwater Option. An Option shall be deemed to be an “Underwater Option” on any given date if, and only if, on such date, the Option Price in respect of such Option is greater than the Fair Market Value on such date; provided that nothing herein shall prevent the Committee or the Board from taking any action provided for in Section 14 or 21.3. In no event shall this Section 20.5 be construed to apply to “issuing or assuming a stock option in a transaction to which Section 424(a) applies,” within the meaning of Section 424 of the Code.

20.6. *Amendments to Awards.* Subject to the requirements of Section 20.4, the Committee may at any time unilaterally amend any unexercised, unearned, or unpaid Award, including, but not by way of limitation, Awards earned but not yet paid, to the extent it deems appropriate (including for the purposes of compliance with local laws and regulations or to avoid costly government filings); provided, however, that except to the extent that the Committee determines that an amendment is necessary to avoid a penalty tax under Section 409A of the Code, any such amendment which, in the opinion of the Committee, is materially adverse to the Participant shall require the Participant’s consent.

20.7. *No Employment Right.* This Plan shall not confer upon any Participant any right with respect to continuance of employment or other service with the Company or any Subsidiary and shall not interfere in any way with any right that the Company or any Subsidiary would otherwise have to terminate any Participant’s employment or other service at any time.

20.8. *Compliance with Section 409A of the Code.* Notwithstanding any other provision of the Plan to the contrary, (a) to the extent that any payment of or in connection with an Award constitutes a payment under a “non-qualified deferred compensation plan,” as defined in Section 409A of the Code, such payment shall be made in compliance with Section 409A of the Code and (b) any adjustment of Shares or prices per Share or substitution of Awards pursuant to Section 14 and any modification of Awards pursuant to Section 17 shall not cause the affected Award to violate the requirements of Section 409A of the Code.

21. ***Change in Control.*** Except as otherwise provided at the time of grant in an Award Agreement relating to a particular Award and subject to the requirements of Section 14, if a Change in Control occurs, then:

21.1. If a Participant is terminated without Cause following such Change in Control, the Participant’s Restricted Shares, Deferred Shares, Performance Shares, Performance Units or Other Stock-Based Awards that were forfeitable shall, unless otherwise determined by the Committee prior to the occurrence of the Change in Control, become nonforfeitable and, to the extent applicable, shall be converted into Shares.

21.2. If a Participant is terminated without Cause following such Change in Control, the Participant’s unexercised Option or Stock Appreciation Right, whether or not exercisable on the date of such Change in Control, shall thereupon be fully exercisable and may be exercised, in whole or in part.

21.3. Notwithstanding Sections 21.1 and 21.2, in the event of a Change in Control, the Committee may in its discretion cancel any outstanding Awards and (a) pay to the holders thereof, in cash or stock, or any combination thereof, the value of such Awards based upon the price per share of Stock received or to be received by other stockholders of the Company in the event or (b) arrange for substitute awards to be granted to the holders thereof, denominated in the equity of the acquirer or an affiliate thereof, provided such substitute awards substantially preserve the value of the substituted Awards.

21.4. If a Change in Control occurs during the term of one or more Performance Periods for which the Committee has granted performance-based Awards pursuant to the provisions of Section 5, the term of each such Performance Period (hereinafter a “current Performance Period”) shall immediately terminate upon the occurrence of such Change in Control. Upon a Change in Control, for each current Performance Period and each completed Performance Period for which the Committee has not on or before such date made a determination as to whether and to what degree the Performance Objectives for such period have been attained (hereinafter a “completed Performance Period”), it shall be assumed that the Performance Objectives have been attained at a level of one hundred percent (100%) or the equivalent thereof. A Participant in one or more current Performance Periods shall be considered to have earned and, therefore, be entitled to receive, a prorated portion of the Award previously granted to him for each such current Performance Period. Such prorated portion shall be determined by multiplying the number of Performance Shares or Performance Units (or other performance-based Awards), as the case may be, granted to the Participant by a fraction, the numerator of which is the total number of days that have elapsed since the beginning of the current Performance Period, and the denominator of which is the total number of days in such current Performance Period. A Participant in one or more completed Performance Periods shall be considered to have earned and, therefore, be entitled to receive all the Performance Shares or Performance Units (or other performance-based Awards), as the case may be, previously granted to him during each such completed Performance Period.

21.5. Upon a Change in Control, any Awards deferred by a Participant under Section 20.2, but for which he or she has not received payment as of such date, shall be paid after the occurrence of the Change in Control but no later than the 90th day following such Change in Control.

21.6. Notwithstanding any provision of this Section 21, in the case of any Award subject to Section 409A of the Code, such Award shall vest and be distributed only in accordance with the terms of the applicable Award Agreement and the Committee shall only be permitted to use discretion to the extent that such discretion would be permitted under Section 409A of the Code.

22. Effective Date. This Plan shall become effective on the date it is approved by the stockholders of the Company (the “Effective Date”). All Awards shall be governed in accordance with the terms and conditions of the Plan in effect on the date of their respective Award Agreements.

23. **Termination.** This Plan shall terminate on the tenth anniversary of the earlier of the date on which the Plan was adopted or the Effective Date, and no Award shall be granted after such date.

24. **Savings Clause.** This Plan is intended to comply in all aspects with applicable laws and regulations. In case any one or more of the provisions of this Plan shall be held invalid, illegal or unenforceable in any respect under applicable law and regulation, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provision shall be deemed null and void; however, to the extent permissible by law, any provision which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Plan to be construed in compliance with all applicable laws so as to foster the intent of the Plan.

25. **Arbitration of Disputes.** Any and all disputes arising out of or relating to the Plan or any Award Agreement (or breach thereof) shall be resolved exclusively through binding arbitration in the State of New York in accordance with the rules of the American Arbitration Association then in effect.

26. **Regulatory Approvals and Listings.** Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates of Shares evidencing Awards or any other Award resulting in the payment of Shares prior to (i) the obtaining of any approval from any governmental agency which the Company shall, in its sole discretion, determine to be necessary or advisable, (ii) the admission of such Shares to listing on the stock exchange or market on which the Shares may be listed, and (iii) the completion of any registration or other qualification of said Shares under any state or federal law or ruling of any governmental body which the Company shall, in its sole discretion, determine to be necessary or advisable. The Committee may, from time to time, impose additional restrictions upon an Award, including but not limited to, restrictions regarding tax withholdings and restrictions regarding the Participant's ability to exercise Awards under the Company's broker-assisted stock option exercise program.

27. **No Right, Title, or Interest in Company Assets.** No Participant shall have any rights as a stockholder of the Company as a result of participation in the Plan until the date of issuance of a stock certificate in his or her name, and, in the case of Restricted Shares, such rights are granted to the Participant under the Plan. To the extent any person acquires a right to receive payments from the Company under the Plan, such rights shall be no greater than the rights of an unsecured creditor of the Company and the Participant shall not have any rights in or against any specific assets of the Company. All of the Awards granted under the Plan shall be unfunded.

28. **No Guarantee of Tax Consequences.** Notwithstanding any other provision of the Plan, no person connected with the Plan in any capacity, including, but not limited to, the Company and its directors, officers, agents and employees, makes any representation, commitment, or guarantee that any tax treatment, including, but not limited to, federal, state and local income, estate and gift tax treatment, shall be applicable with respect to the tax treatment of any Award, any amounts deferred under the Plan, or paid to or for the benefit of a Participant under the Plan, or that such tax treatment shall apply to or be available to a Participant on account of

participation in the Plan, or that any of the foregoing amounts shall not be subject to the 20% penalty tax and interest under Section 409A of the Code.

29. **Governing Law.** The validity, construction and effect of this Plan and any Award hereunder shall be determined in accordance with the laws of the State of Delaware.

JPMORGAN CHASE BANK, N.A.
J.P. MORGAN SECURITIES LLC
383 Madison Avenue
New York, New York 10179

March 8, 2013

Senior Revolving Credit Facility
Amendment Commitment Letter

Griffon Corporation
712 Fifth Avenue, 18th Floor
New York, New York 10019

Attention: Douglas J. Wetmore

Ladies and Gentlemen:

You have advised J.P. Morgan Securities LLC (“JPMorgan”) and JPMorgan Chase Bank, N.A. (“JPMorgan Chase Bank”; together with JPMorgan, the “Commitment Parties”) that you wish to amend (the “Amendment”) your Credit Agreement, dated as of March 18, 2011 (the “Existing Credit Agreement”), among Griffon Corporation (“you” or the “Borrower”), the lenders party thereto and JPMorgan Chase Bank, as administrative agent, and seek an increase in the revolving credit facility available thereunder (such increased facility, the “Revolving Credit Facility”). You have requested that JPMorgan agree to structure, arrange and syndicate the Revolving Credit Facility and that JPMorgan Chase Bank commit to provide a portion of the Revolving Credit Facility and to serve as administrative agent for the Revolving Credit Facility. You have also requested that JPMorgan agree to structure and arrange the Amendment (it being understood that the Amendment may be structured as an amendment and restatement of the Existing Credit Agreement).

JPMorgan is pleased to advise you that it is willing to act as the sole lead arranger and sole bookrunner for the Revolving Credit Facility and to arrange the Amendment.

Furthermore, JPMorgan Chase Bank is pleased to advise you of (a) its commitment to provide up to \$50,000,000 of the Revolving Credit Facility and (b) its agreement, together with JPMorgan, (i) to use commercially reasonable efforts to assemble a syndicate of Lenders (as defined below) to provide the balance of the necessary commitments for the Revolving Credit Facility, in each case upon the terms and subject to the conditions set forth or referred to in this Commitment Letter (the “Commitment Letter”) and in the Summary of Terms and Conditions attached hereto as Exhibit A (the “Term Sheet”) and (ii) to arrange the Amendment on terms and conditions to be agreed. It is a condition to JPMorgan Chase Bank’s commitment hereunder that the portion of the Revolving Credit Facility not being provided by

JPMorgan Chase Bank in respect of the Revolving Credit Facility shall be provided by the other Lenders.

It is agreed that JPMorgan will act as the sole lead arranger and sole bookrunner in respect of the Revolving Credit Facility and the Amendment (in such capacities, the "Lead Arranger"), and that JPMorgan Chase Bank will act as the sole administrative agent in respect of the Revolving Credit Facility. You agree that, as a condition to the commitments and agreements hereunder, no other agents, co-agents, arrangers or bookrunners will be appointed, no other titles will be awarded and no compensation (other than that expressly contemplated by the Term Sheet and the Fee Letter referred to below) will be paid in connection with the Revolving Credit Facility or the Amendment unless you and we shall so agree; provided that you shall have the right to appoint other agents or co-agents with our consent (not to be unreasonably withheld), it being understood and agreed that no such agent or co-agent shall receive greater economics with respect to the Revolving Credit Facility than the Commitment Parties.

We intend to syndicate the Revolving Credit Facility (including, in our discretion, all or part of JPMorgan Chase Bank's commitment hereunder) to a group of lenders (together with JPMorgan Chase Bank, the "Lenders") identified by us in consultation with you. We intend to promptly commence syndication efforts as well as our efforts to arrange the Amendment, and you agree actively to assist us in completing a syndication reasonably satisfactory to us and in soliciting the approvals required for the Amendment. Such assistance shall include (a) your using commercially reasonable efforts to ensure that the syndication and solicitation efforts benefit materially from the existing banking relationships of the Borrower and its subsidiaries, (b) direct contact between senior management and advisors of the Borrower and its subsidiaries and the proposed Lenders, (c) commercially reasonable assistance from the Borrower in the preparation of materials to be used in connection with the syndication and (d) the attendance, with us and senior management and the Borrower, at one or more meetings of prospective Lenders. You also agree to provide us with reasonable prior notice of the syndication of any credit facility in connection with any other financing of the Borrower or its domestic subsidiaries and, upon our request, to coordinate the syndication of such credit facility with the syndication of the Revolving Credit Facility.

JPMorgan, in its capacity as Lead Arranger, will manage, in consultation with you, all aspects of the syndication of the Revolving Credit Facility and the solicitation of the approvals required for the Amendment, including decisions as to the selection of institutions to be approached and when they will be approached, when their commitments will be accepted, which institutions will participate, the allocation of the commitments among the Lenders and the amount and distribution of fees among the Lenders. In its capacity as Lead Arranger, JPMorgan will have no responsibility other than to arrange the syndication of the Revolving Credit Facility and the approval of the Amendment as set forth herein and in no event shall be subject to any fiduciary or other implied duties. Additionally, you acknowledge and agree that, as Lead Arranger, JPMorgan is not advising you as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. You shall consult with your own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and the Lead Arranger shall have no responsibility or liability to you with respect thereto.

To assist us in our syndication and solicitation efforts, you agree promptly to prepare and provide to us all information with respect to the Borrower and its subsidiaries and the other transactions contemplated hereby, including all financial information and projections (the "Projections"), as we may reasonably request in connection with the arrangement and syndication

of the Revolving Credit Facility and the arrangement of the Amendment. You hereby represent and covenant that (a) all written information (including, to your knowledge, any information of a general or industry nature) other than the Projections (the "Information") that has been or will be made available to us by you or any of your representatives is or will be, taken as a whole when furnished, complete and correct in all material respects and does not or will not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made and (b) the Projections that have been or will be made available to us by you or any of your representatives have been or will be prepared in good faith based upon assumptions that are believed by you to be reasonable at the time made, it being understood that the actual results may vary from the results projected therein. You understand that in arranging and syndicating the Revolving Credit Facility and the Amendment we may use and rely on the Information and Projections without independent verification thereof.

As consideration for the commitments and agreements of the Commitment Parties hereunder, you agree to cause to be paid the nonrefundable fees described in the Fee Letter dated the date hereof and delivered herewith (the "Fee Letter").

Each Commitment Party's commitments and agreements hereunder are subject to (a) there not occurring or becoming known to such Commitment Party any event, development or circumstance since September 30, 2012 that has had or could reasonably be expected to have a material adverse effect on the business, assets, property, liabilities, operation or condition (financial or otherwise) of the Borrower and its subsidiaries, taken as a whole, (b) such Commitment Party not becoming aware after the date hereof of any information or other matter (including any matter relating to financial models and underlying assumptions relating to the Projections) affecting the Borrower or its subsidiaries that in such Commitment Party's reasonable judgment is inconsistent in a material and adverse manner with any such information or other matter disclosed to such Commitment Party by the Borrower prior to the date hereof, (c) such Commitment Party's reasonable satisfaction that prior to and during the syndication of the Revolving Credit Facility there shall be no competing offering, placement or arrangement of any debt securities or bank financing by or on behalf of the Borrower, or any of its domestic subsidiaries, (d) the closing of the Revolving Credit Facility on or before April 12, 2013 and (e) the other conditions set forth or referred to in the Term Sheet. The terms and conditions of the commitments hereunder and of the Revolving Credit Facility are not limited to those set forth herein and in the Term Sheet; provided, however, that those matters that are not covered by the provisions hereof and of the Term Sheet are subject to the approval and agreement of the Commitment Parties and the Borrower.

You agree (a) to indemnify and hold harmless the Commitment Parties, their affiliates and their respective directors, employees, advisors, and agents (each, an "indemnified person") from and against any and all losses, claims, damages and liabilities to which any such indemnified person may become subject arising out of or in connection with this Commitment Letter, the Revolving Credit Facility, the use of the proceeds thereof, the Amendment or any related transaction or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any indemnified person is a party thereto, and to reimburse each indemnified person upon demand for any legal or other expenses incurred in connection with investigating or defending any of the foregoing, provided that the foregoing indemnity will not, as to any indemnified person, apply to losses, claims, damages, liabilities or related expenses to the extent they are found by a final, non-appealable judgment of a court to arise from the willful misconduct or gross negligence of such indemnified person, and (b) to reimburse each Commitment Party and its affiliates on demand for all out-of-pocket reasonable, documented

expenses (including due diligence expenses, syndication expenses, consultant's fees and expenses, travel expenses, and reasonable fees, charges and disbursements of counsel) incurred in connection with the Revolving Credit Facility, the Amendment and any related documentation (including this Commitment Letter and the definitive financing documentation) or the administration, amendment, modification or waiver thereof. No indemnified person shall be liable for any damages arising from the use by others of Information or other materials obtained through electronic, telecommunications or other information transmission systems, except to the extent any such damages are found by a final, non-appealable judgment of a court to arise from the gross negligence or willful misconduct of such indemnified person or such indemnified person's affiliates, directors, employees, advisors or agents or for any special, indirect, consequential or punitive damages in connection with the Revolving Credit Facility or the Amendment.

You acknowledge that each Commitment Party and its affiliates (the term "Commitment Party" as used below in this paragraph being understood to include such affiliates) may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which you may have conflicting interests regarding the transactions described herein and otherwise. No Commitment Party will use confidential information obtained from you by virtue of the transactions contemplated hereby or its other relationships with you in connection with the performance by such Commitment Party of services for other companies, and no Commitment Party will furnish any such information to other companies. You also acknowledge that no Commitment Party has any obligation to use in connection with the transactions contemplated hereby, or to furnish to you, confidential information obtained from other companies. You further acknowledge that JPMorgan is a full service securities firm and JPMorgan may from time to time effect transactions, for its own or its affiliates' account or the account of customers, and hold positions in loans, securities or options on loans or securities of the Borrower and its affiliates and of other companies that may be the subject of the transactions contemplated by this Commitment Letter.

Each Commitment Party may employ the services of its affiliates in providing certain services hereunder and, in connection with the provision of such services, may exchange with such affiliates information concerning you and the other companies that may be the subject of the transactions contemplated by this Commitment Letter, and, to the extent so employed, such affiliates shall be entitled to the benefits afforded such Commitment Party hereunder.

Notwithstanding the two immediately preceding paragraphs, JPMorgan acknowledges the terms and conditions contained in the letter agreement entered into on March 7, 2013, between you and JPMorgan (the "NDA") and agrees that nothing in this Commitment Letter shall supersede or render inapplicable the NDA, and JPMorgan reaffirms its obligations to comply with the terms and conditions of the NDA.

Neither this Commitment Letter nor the Fee Letter shall be assignable by you without the prior written consent of each Commitment Party (and any purported assignment without such consent shall be null and void). This Commitment Letter is intended to be solely for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto and the indemnified persons. This Commitment Letter may not be amended or waived except by an instrument in writing signed by you and each Commitment Party. This Commitment Letter may be executed in any number of counterparts, each of which shall be an original, and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Commitment Letter by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

This Commitment Letter, the Fee Letter and the NDA are the only agreements that have been entered into among us with respect to the Revolving Credit Facility and the Amendment and set forth the entire understanding of the parties with respect thereto.

This Commitment Letter shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York. You hereby consent to the exclusive jurisdiction and venue of the state or federal courts located in the City of New York. Each party hereto irrevocably waives, to the fullest extent permitted by applicable law, (a) any objection that it may now or hereafter have to the laying of venue of any such legal proceeding in the state or federal courts located in the City of New York and (b) any right it may have to a trial by jury in any suit, action, proceeding, claim or counterclaim brought by or on behalf of any party related to or arising out of this Commitment Letter, the Term Sheet, the transactions contemplated hereby or the performance of services hereunder.

This Commitment Letter is delivered to you on the understanding that neither this Commitment Letter, the Term Sheet or the Fee Letter nor any of their terms or substance shall be disclosed, directly or indirectly, to any other person (including, without limitation, other potential providers or arrangers of financing) except (a) to your officers, agents and advisors who are directly involved in the consideration of this matter or (b) as may be compelled in a judicial or administrative proceeding or as otherwise required by law (in which case you agree to inform us promptly thereof), provided, that the foregoing restrictions shall cease to apply (except in respect of the Fee Letter and its terms and substance) after this Commitment Letter has been accepted by you.

The compensation, reimbursement, indemnification and confidentiality provisions contained herein and in the Fee Letter and any other provision herein or therein which by its terms expressly survives the termination of this Commitment Letter shall remain in full force and effect regardless of whether definitive financing documentation shall be executed and delivered and notwithstanding the termination of this Commitment Letter or the commitments hereunder.

If the foregoing correctly sets forth our agreement, please indicate your acceptance of the terms hereof and of the Term Sheet and the Fee Letter by returning to us executed counterparts hereof and of the Fee Letter not later than 5:00 p.m., New York City time, on March 8, 2013. This offer will automatically expire at such time if we have not received such executed counterparts in accordance with the preceding sentence.

We are pleased to have been given the opportunity to assist you in connection with this important financing.

Very truly yours,

J.P. MORGAN SECURITIES LLC

By: /s/ Edward S. Pyne

Name: Edward S. Pyne

Title: Vice President

JPMORGAN CHASE BANK, N.A.

By: /s/ Edmond F. Thompson

Name: Edmond F. Thompson

Title: Executive Director

Accepted and agreed to as of
the date first written above by:

GRIFFON CORPORATION

By: /s/ Thomas D. Gibbons

Name: Thomas D. Gibbons

Title: Treasurer

Griffon Corporation
\$225,000,000 Amended and Restated Revolving Credit Facility
Summary of Principal Terms and Conditions

Reference is made to the Credit Agreement, dated as of March 18, 2011 (the “Existing Credit Agreement”), among Griffon Corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, and the proposed amendments to the Existing Credit Agreement set forth on Annex I (the “Amendments”). Set forth below is a summary of the terms and conditions for the Existing Credit Agreement, as amended to reflect the Amendments (the “Amended Credit Agreement”).¹

Borrower: Griffon Corporation.

Administrative Agent: JPMorgan Chase Bank, N.A. (“JPMorgan Chase Bank”).

Lead Arranger: J.P. Morgan Securities LLC.

Facility: 1. Amount: Revolving credit facility in an aggregate principal amount of \$225 million (the “Revolving Credit Facility”).

2. Use of Proceeds: The proceeds of loans under the Revolving Credit Facility (the “Revolving Loans”) shall be utilized for debt repayment, working capital, capital expenditures and other general corporate purposes.

3. Maturity: The final maturity date of the Revolving Credit Facility shall be the fifth anniversary of the Closing Date (the “Revolving Loan Maturity Date”); provided that the Revolving Credit Facility shall mature on the date that is six months prior to the maturity date of the Senior Notes unless the Senior Notes shall have been paid in full prior to that date (other than with the proceeds of indebtedness that matures on or prior to the date that is 91 days after the Revolving Loan Maturity Date).

4. Availability: Revolving Loans may be borrowed, repaid and reborrowed on and after the Closing Date and prior to the Revolving Loan Maturity Date in accordance with the terms of the Amended Credit Agreement.

5. Letter of Credit Sublimit: \$60 million will be available for the issuance of stand-by and trade letters of credit in US Dollars and Available Foreign Currencies (as defined below) in each case, at the Borrower’s option (“Letters of Credit”) by JPMorgan Chase Bank (or its affiliates) to support obligations of the Borrower and its subsidiaries. Each Letter of Credit shall expire not later than the earlier of (a) 12 months after its date of issuance or such longer period of time as may be agreed by the applicable Issuing Lender

¹ Capitalized terms used but not defined herein have the meanings set forth in the Existing Credit Agreement.

and (b) the tenth business day prior to the final maturity of the Revolving Facility; provided that any Letter of Credit may provide for renewal thereof for additional periods of up to 12 months or such longer period of time as may be agreed by the applicable Issuing Lender (which in no event shall extend beyond the date referred to in clause (b) above), except to the extent cash collateralized or backstopped pursuant to arrangements reasonably acceptable to the relevant Issuing Lender. Letter of Credit outstandings will reduce availability under the Revolving Credit Facility on a dollar-for-dollar basis.

6. Swingline Loans: \$30 million will be available prior to the Revolving Loan Maturity Date for swingline loans (the "Swingline Loans" and, together with Revolving Loans, the "Loans") to be made by JPMorgan Chase Bank (or its affiliates) (in such capacity, the "Swingline Lender") on same-day notice. Any Swingline Loans will reduce availability under the Revolving Credit Facility on a dollar-for-dollar basis.

7. Multicurrency Sublimit: \$50 million will be available for loans in Euros and other currencies (all such currencies, the "Available Foreign Currencies") agreed to by all the Lenders ("Multicurrency Loans"). Multicurrency Loans will be made available by all the Lenders on a ratable basis.

Guaranties:

Each direct and indirect, existing and future, material domestic subsidiary of the Borrower (it being understood that (i) with respect to existing subsidiaries of the Borrower, on the Closing Date (as defined below) the guarantors will be the same entities that have provided guaranties under the Existing Credit Agreement and (ii) the terminology that defines what constitutes a "material domestic subsidiary" in the Existing Credit Agreement shall remain unchanged in the Amended Credit Agreement) (each, a "Guarantor" and, collectively, the "Guarantors"), shall provide a guaranty (collectively, the "Guaranties") of all amounts owing under the Revolving Credit Facility (the Borrower and the Guarantors, collectively, the "Loan Parties").

For the avoidance of doubt, no non-U.S. subsidiary of the Borrower which is a "controlled foreign corporation" (within the meaning of Section 957 of the Internal Revenue Code) (each, a "CFC") shall be required to provide a Guaranty or constitute a Guarantor.

Security:

All amounts owing under the Revolving Credit Facility will be secured by a first priority perfected security interest in substantially all the assets of the Borrower and the Guarantors, except for those assets as to which the Administrative Agent shall determine in its sole discretion that the cost of obtaining a security interest therein are excessive in relation to the value of the security to be afforded thereby, provided that in no event shall more than 65% of the total outstanding voting

stock of any CFC be required to be pledged.

Optional Commitment Reductions:

The unutilized portion of the total commitments under the Revolving Credit Facility may from time to time be reduced or terminated by the Borrower without penalty (other than breakage costs described below in connection with any prepayment).

Voluntary Prepayments:

Voluntary prepayments may be made at any time on three business days' notice in the case of Eurocurrency Loans, or one business day's notice in the case of Base Rate Loans (or same day notice in the case of Swingline Loans), without premium or penalty; provided that voluntary prepayments of Eurocurrency Loans made on a date other than the last day of an interest period applicable thereto shall be subject to customary breakage costs.

Mandatory Repayments:

If at any time the outstandings pursuant to the Revolving Credit Facility (including Letter of Credit outstandings, Swingline Loans and the US Dollar equivalent of Multicurrency Loans and Letters of Credit issued in Available Foreign Currencies) exceed the aggregate commitments with respect thereto, prepayments of Revolving Loans, Swingline Loans and/or Multicurrency Loans (or the cash collateralization of Letters of Credit) shall be required in an amount equal to such excess.

Multicurrency Loans and Letters of Credit issued in Available Foreign Currencies will be marked-to market to the US Dollar equivalent thereof on a periodic basis to be agreed. To the extent that the US Dollar equivalent of such exposure exceeds 105% of the Multicurrency Sublimit, prepayments of Multicurrency Loans (or the cash collateralization of Letters of Credit issued in Available Foreign Currencies) shall be required in an amount equal to such excess.

The commitments under the Revolving Credit Facility will be reduced, as described in the Existing Credit Agreement, in connection with certain asset dispositions.

Interest Rates:

At the Borrower's option, Loans may be maintained from time to time as (x) Base Rate Loans, which shall bear interest at the Base Rate in effect from time to time plus the Applicable Margin (as defined below) or (y) Eurocurrency Loans, which shall bear interest at the Eurocurrency Rate (adjusted for maximum reserves) as determined by the Administrative Agent for the respective interest period and the applicable currency, plus the Applicable Margin, provided, that (a) all Swingline Loans shall bear interest based upon the Base Rate and (b) all Multicurrency Loans shall be Eurocurrency Loans.

"Applicable Margin" shall mean, (A) for Base Rate Loans, initially 1.25% and following delivery of financial statements for the first full fiscal quarter ending after the Closing Date a margin based on the leverage ratio from time to time, as set forth on the grid below, and (B)

for Eurocurrency Loans, initially 2.25% and following delivery of financial statements for the first full fiscal quarter ending after the Closing Date a margin based on the leverage ratio from time to time, as set forth on the grid below.

Leverage Ratio	Applicable Margin for Base Rate Loans	Applicable Margin for Eurocurrency Loans	Commitment Fee
≥ 4.50:1.00	1.50%	2.50%	0.40%
< 4.50:1.00	1.25%	2.25%	0.35%
< 3.50:1.00	1.00%	2.00%	0.30%
< 2.50:1.00	0.75%	1.75%	0.25%
< 1.50:1.00	0.50%	1.50%	0.20%

“Base Rate” shall mean the highest of (x) the rate that the Administrative Agent announces from time to time as its prime lending rate, as in effect from time to time, (y) 1/2 of 1% in excess of the overnight federal funds rate and (z) the Eurocurrency Rate plus 1.00%.

The Eurocurrency Rate shall be adjusted for statutory reserve requirements.

“Base Rate Floor”: None

“Eurocurrency Rate Floor”: None

Interest periods of 1, 2, 3 and 6 (or if available to all Lenders, 9 and 12 months) shall be available in the case of Eurocurrency Loans.

The Revolving Credit Facility shall include customary protective provisions for such matters as defaulting banks, FATCA indemnity for the Borrower, capital adequacy, increased costs including as the result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Basel III, reserves, funding losses, illegality, and withholding taxes. The Borrower shall have the right to replace any Lender that (i) charges a material amount in excess of that being charged by the other Lenders with respect to contingencies described in the immediately preceding sentence or (ii) does not consent to certain amendments or waivers of the Revolving Credit Facility which expressly require the consent of such Lender and which have been approved by the Required Lenders.

Interest in respect of Base Rate Loans shall be payable quarterly in arrears on the last business day of each calendar quarter. Interest in respect of Eurocurrency Loans shall be payable in arrears at the end of the applicable interest period and every three months in the case of interest periods in excess of three months. Interest will also be payable

at the time of repayment of any Loans and at maturity.

Upon the occurrence and during the continuance of a payment default, interest will accrue (i) in the case of principal on any loan, at a rate of 2.00% per annum plus the rate otherwise applicable to such loan and (ii) in the case of any other outstanding amount, at a rate of 2.00% per annum plus the non-default interest rate then applicable to Base Rate loans, and will be payable on demand.

Commitment Fee:

A commitment fee, at a per annum rate of 0.35% on the daily undrawn portion of the commitments of each Lender under the Revolving Credit Facility, will commence accruing on the Closing Date and will be payable quarterly in arrears. Following delivery of financial statements for the first full fiscal quarter ending after the Closing Date, the commitment fee rate will be determined based on the leverage ratio from time to time, as set forth on the grid above.

Letter of Credit Fees:

A letter of credit fee equal to the Applicable Margin for Loans maintained as Eurocurrency Loans on the outstanding stated amount of Letters of Credit (the "Letter of Credit Fee") to be shared proportionately by the Lenders under the Revolving Credit Facility in accordance with their participation in the respective Letter of Credit, and a facing fee of 1/8% per annum (but in no event less than \$250 per annum for each Letter of Credit) (the "Facing Fee") to be paid to the issuer of each Letter of Credit for its own account, in each case calculated on the aggregate stated amount of all Letters of Credit for the stated duration thereof. Letter of Credit Fees and Facing Fees shall be payable quarterly in arrears.

Incremental Commitments:

The Amended Credit Agreement shall permit the Borrower to increase commitments under the Revolving Credit Facility by up to \$75 million; provided that (a) no lender shall be required to provide such increased commitments, (b) no Default shall have occurred and be continuing and (c) the representations and warranties set forth in the Amended Credit Agreement and related loan documents shall be true and correct in all material respects.

Conditions Precedent:

A. The availability of the Revolving Credit Facility shall be conditioned upon the prior or concurrent satisfaction of the following conditions precedent (the date upon which all such conditions precedent shall be satisfied, the "Closing Date")²:

(i) The Administrative Agent shall have received the Amended Credit Agreement executed by the Loan Parties and each lender party thereto.

(ii) The Lenders, the Administrative Agent and the Lead Arranger shall have received all fees required to be paid, and all

² To be discussed whether any amendments to other debt documents will be needed.

expenses required to be paid for which invoices have been presented, pursuant to the Commitment Letter and the Fee Letter on or before the Closing Date.

(iii) The Borrower shall have delivered reasonably satisfactory audited financial statements of the Borrower for the immediately preceding three fiscal years.

(iv) The Administrative Agent shall have received a reaffirmation agreement, in form and substance reasonably satisfactory to the Administrative Agent, with respect to the existing collateral security and guarantee documents delivered in connection with the Existing Credit Agreement.

(v) The Administrative Agent shall have received a legal opinion from counsel to the Borrower and its subsidiaries, documents and other instruments as are customary for transactions of this type or as they may reasonably request.

(vi) The Administrative Agent shall have received amendments to the existing Mortgages in form and substance reasonably satisfactory to the Administrative Agent and such title date down endorsements, abstracts and other documents as the Administrative Agent may reasonably request in respect thereof. The Borrower shall have delivered to the Administrative Agent (i) a "Life-of-Loan" Federal Emergency Management Agency Standard Flood Hazard Determination with respect to property covered by the Mortgages and (ii) in the event property covered by the Mortgages is located in an area identified by the Federal Emergency Management Agency (or any successor agency) as a special flood hazard area, (A) a notice about special flood hazard area status and flood disaster assistance, duly executed by the Borrower and (B) evidence of flood insurance, with a financially sound and reputable insurer, naming the Administrative Agent, as mortgagee, in an amount and otherwise in form and substance reasonably satisfactory to the Administrative Agent and evidence of the payment of premiums in respect thereof in form and substance reasonably satisfactory to the Administrative Agent.

B. To All Revolving Loans and Letters of Credit

(i) All representations and warranties shall be true and correct in all material respects on and as of the date of each borrowing of a Loan and each issuance of a Letter of Credit (although any representations and warranties which expressly relate to a given date or period shall be required to be true and correct in all material respects only as of the respective date or for the respective period, as the case may be);

(ii) No event of default under the Revolving Credit Facility or event which with the giving of notice or lapse of time or both

would be an event of default under the Revolving Credit Facility, shall have occurred and be continuing.

Documentation:

The Amended Credit Agreement shall contain representations, warranties, covenants and events of default substantially the same as set forth in the Existing Credit Agreement (subject to the modifications specified in this Term Sheet, modifications as a result of changes in law and other modifications as mutually and reasonably agreed by the Borrower, the Lead Arranger and the Lenders), including:

Representations and Warranties:

Substantially the same as set forth in the Existing Credit Agreement and to include organization; powers; authorization; enforceability; governmental approvals; no conflicts; financial condition; no material adverse change; properties; litigation; environmental matters; compliance with laws and contractual obligations; investment company status; taxes; ERISA; accuracy of disclosure; margin stock; burdensome agreements; labor matters; security documents; subsidiaries; solvency; and delivery of certain documents.

Affirmative Covenants:

Substantially the same as set forth in the Existing Credit Agreement, and to include delivery of financial statements and other information; notices of material events, existence; conduct of business; payment of obligations; maintenance of properties and insurance; books and records; inspection rights; compliance with laws and contractual obligations; use of proceeds; collateral; and further assurances.

Negative Covenants:

Substantially the same as set forth in the Existing Credit Agreement, with the modifications set forth on Annex I, and to include restrictions on indebtedness (including guarantees); liens; mergers; dispositions; investments; restricted payments; transactions with affiliates; restrictive agreements; swap agreements; stock issuances; and modifications of certain documents.

Financial Covenants.

Maximum Consolidated Senior Secured Leverage Ratio (to be defined as set forth in the Existing Credit Agreement) of 2.50:1.00.

Maximum Consolidated Leverage Ratio (to be defined as set forth in the Existing Credit Agreement, but with total debt to be calculated net of unrestricted cash and cash equivalents of the Loan Parties in excess of \$50 million) of 5.00:1.00, with a step-down to 4.75:1.00 on September 30, 2014 and a step-down to 4.50:1.00 on September 30, 2015; provided that in the event that the Borrower or its subsidiaries complete a permitted acquisition (a "Material Permitted Acquisition") that involves the payment of consideration in excess of \$20 million and at least 35% of the consideration therefor is financed by the incurrence of indebtedness, the pro forma Consolidated Leverage Ratio shall increase by 0.50x for the 12 months following such permitted acquisition.

Minimum Consolidated Interest Coverage Ratio (to be defined as set forth in the Existing Credit Agreement) of 2.75:1.00.

Maximum Capital Expenditures of \$100 million per fiscal year, with the ability to carry forward 50% of unused amounts to the next succeeding fiscal year.

Minimum Liquidity (to be defined as the sum of (a) unrestricted cash of the Loan Parties and (b) availability under the Revolving Credit Facility) of \$100 million; provided that such minimum Liquidity requirement shall only be in effect from the date that is six months prior to the maturity of the Borrower's 4% Convertible Subordinated Debt due 2017 (the "2017 Notes") until immediately after payment in full of the 2017 Notes.

Events of Default:

Substantially the same as set forth in the Existing Credit Agreement.

Assignments:

The Borrower may not assign its rights or obligations under the Revolving Credit Facility. Any Lender may assign its rights and obligations under the Revolving Credit Facility, subject (other than if an Event of Default shall have occurred and be continuing) to the prior written consent of the Borrower (not to be unreasonably withheld) and the Administrative Agent (not to be unreasonably withheld); provided that no consent of Borrower shall be required for an assignment to an existing Lender, an affiliate of an existing Lender or an approved fund. The Borrower will be deemed to have given its consent if no express refusal is received within 5 business days after notice is received by the Borrower. The minimum assignment amount shall be \$5 million, in each case unless otherwise agreed by the Borrower and the Administrative Agent. The Administrative Agent shall receive a processing and recordation fee of \$3,500 from the relevant assignor in connection with all assignments. In addition, each Lender may sell participations in all or a portion of its loans and commitments under one or more of the Revolving Credit Facility; provided that no purchaser of a participation shall have the right to exercise or to cause the selling Lender to exercise voting rights in respect of the Revolving Credit Facility (except as to certain basic issues).

Waivers and Amendments:

Substantially the same as set forth in the Existing Credit Agreement.

Indemnification:

The documentation for the Revolving Credit Facility will contain customary indemnities for the Administrative Agent and the Lenders, in each case other than as a result of such person's gross negligence or willful misconduct.

Governing Law and Forum:

New York.

Counsel to the
Administrative Agent
and Lead Arranger:

Simpson Thacher & Bartlett LLP.

The Existing Credit Agreement shall be modified as follows:

1. The definition of "Permitted Acquisitions" set forth in the Existing Credit Agreement shall be amended to permit unlimited acquisitions provided that, after giving pro forma effect to such acquisition, the Borrower is, after taking into account the increase in maximum pro forma Consolidated Leverage Ratio in the case of a Material Permitted Acquisition, in compliance with the financial maintenance covenants (it being understood that the sublimits on acquisitions of foreign subsidiaries shall remain unchanged).
 2. Clause (A) of Section 7.01(xxi) of the Existing Credit Agreement shall be amended to permit the incurrence of unsecured Indebtedness so long as, after giving effect to the incurrence of such Indebtedness, the Consolidated Leverage Ratio is 0.50x less than otherwise required by the Consolidated Leverage Ratio maintenance covenant.
 3. Section 7.07 of the Existing Credit Agreement shall be amended to permit (in addition to the payment of other Restricted Payments permitted by the Existing Credit Agreement):
 - (a) Restricted Payments in an aggregate amount not to exceed \$25 million in any fiscal year so long as (i) no event of default shall be continuing or would result therefrom and (ii) after giving effect to such Restricted Payment, the Borrower has Liquidity of at least \$100 million; and
 - (b) an additional one-time Restricted Payment in an aggregate amount not to exceed \$50 million, within 90 days of the Closing Date so long as (i) no event of default shall be continuing or would result therefrom and (ii) after giving effect to such Restricted Payment, the Borrower has Liquidity of at least \$100 million.
 4. All covenant baskets will be reset, with existing usage of such baskets to be scheduled, such that the full amount of each basket will be available for future transactions.
 5. Any change in GAAP occurring after the Closing Date that would require operating leases to be treated as capital leases shall be disregarded for the purposes of determining Indebtedness and any financial ratio or compliance requirement contained in any Loan Document.
-

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 8, 2013

/s/ Ronald J. Kramer

Ronald J. Kramer
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 8, 2013

/s/ Douglas J. Wetmore

Douglas J. Wetmore

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

**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, Chief Executive Officer of Griffon Corporation, hereby certify that the Form 10-Q of Griffon Corporation for the period ended December 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 8, 2013

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 December 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 8, 2013

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.
