

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

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 1999
or
 TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 1-6620

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.)

100 Jericho Quadrangle, Jericho, New York
(Address of Principal Executive Offices)

11753
(Zip Code)

Registrant's telephone number, including area code: (516) 938-5544

Securities registered pursuant to Section 12(b) of the Act:

Title of Class -----	Name of Each Exchange on which Registered -----
Common Stock, \$.25 par value	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [x].

State the aggregate market value of the voting stock held by non-affiliates of the registrant. (The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of

such stock, as of a specified date within 60 days prior to the date of filing.) As of November 30, 1999 - approximately \$225,000,000.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date (applicable only to corporate registrants). As of November 30, 1999 - 30,334,947.

Documents incorporated by reference: Part III - Registrant's definitive proxy statement to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934.

PART I

ITEM 1 - BUSINESS

THE COMPANY

Griffon is a diversified manufacturing company with operations in four business segments: Garage Doors; Installation Services; Specialty Plastic Films; and Electronic Information and Communication Systems. The company's Garage Doors segment designs and manufactures garage doors for use in the residential housing and commercial building markets. The Installation Services segment sells, installs and services garage doors, garage door openers, manufactured fireplaces, floor coverings, cabinetry and a range of related building products primarily for the residential housing market. The company's Specialty Plastic Films segment develops, produces and sells plastic films and film laminates for use in infant diapers, adult incontinence products, feminine hygiene products and disposable surgical and patient care products. The company's Electronic Information and Communication Systems segment designs, manufactures and provides logistical support for communication systems, radar systems, information and command and control systems and custom mixed-signal large scale integrated circuits used in the defense, and other government programs and commercial markets.

The company has made strategic investments in each of its business segments to enhance its market position, expand into new markets and further accelerate growth. Garage Doors and Installation Services have acquired several manufacturing and installation companies in recent years. In fiscal 1997, the company acquired a West Coast-based garage door manufacturing and installation company, which enhanced the company's national market position. In 1998 Specialty Plastic Films acquired a manufacturer of plastic packaging and specialty films located in Germany, expanding its markets, and in 1998 and 1999 added additional production capacity in its European joint venture in connection with multi-year contracts from a major international consumer products company. In 1999, Installation Services acquired an operation located in the Southwest that sells and installs a range of specialty products to the new residential construction market, expanding the products and services offered by the company. The Electronic Information and Communication Systems segment was awarded a number of new contracts which resulted in record sales for this segment in fiscal 1999.

GARAGE DOORS

The company believes that its wholly owned subsidiary, Clopay, is the largest manufacturer and marketer of residential garage doors and among the largest manufacturers of commercial doors in the United States. The company's building products are sold under the Clopay(R), Ideal(R), Holmes(R), Atlas(R) and other brand names through an extensive distribution network throughout the United States. The company estimates that the majority of Garage Doors' net sales are from sales of garage doors to the home remodeling market, with the balance from the new housing and commercial construction markets. Sales into the home remodeling market are being driven by the continued aging of the housing stock and the conversion by homeowners from wood doors to durable, easier to maintain steel doors.

Industry

According to industry sources, the garage door market for 1998 was estimated to be \$1.5 billion, comprised of residential garage doors and commercial/industrial doors. Over the past decade there have been several key trends driving the garage door industry including the shift from wood to steel doors and the growth of the home center channel of distribution. The company estimates that over 90% of the total garage door market today is steel doors. Superior strength, reduced weight and low maintenance have favored the steel door. Other product innovations during this period include insulated double-sided steel doors and new springing systems.

The growth of home center retail chains in the United States has resulted in a significant new channel of distribution, supplementing the company's substantial network of professional installers and wholesalers. Over the past decade, an increasing number of garage doors have been sold through home center retail chains such as The Home Depot, Inc. These home centers offer garage doors for the do-it-yourself market and commercial contractors, as well as installation services for other customers. Distribution through the retail channel requires a different approach than that traditionally utilized by garage door manufacturers. Factors such as immediately available inventory, national distribution, point-of-sale merchandising and special packaging are all important to the retailer.

Key Competitive Strengths

The company believes that the following strengths will continue to enhance the market position of Garage Doors:

National Distribution Network. The company distributes its building products through a wide range of distribution channels including installing dealers, retailers and wholesalers. The company owns and operates a national network of 47 distribution centers. The company's building products are sold to approximately 2,000 independent professional installing dealers and to major home center retail chains, including The Home Depot, Inc., Menards, Inc. and Lowe's Companies, Inc. The company maintains strong relationships with its installing dealers and believes it is the largest supplier of residential garage doors to retail channels.

Strong Brand Franchise. The company's brand names, particularly Clopay(R) Ideal(R), and Holmes(R) residential doors and Atlas(R) commercial doors, are widely recognized in the building products industry. The company believes that it has earned a reputation among installing dealers, retailers and wholesalers for producing a broad range of high-quality doors. The company's market leadership and strong brand recognition are key marketing tools for expanding its customer base, leveraging its distribution network and increasing its market share.

Low-Cost Manufacturing Capabilities. The company believes it has low-cost manufacturing capabilities as a result of its automated, continuous production manufacturing facilities and its reduced costs for raw materials based on volume purchases. These manufacturing facilities produce a broad line of high quality garage doors for distribution to professional installer, retail and wholesale channels.

Strategy

The company intends to increase its market share in Garage Doors by capitalizing on what it believes to be its leadership position as the largest manufacturer and marketer of residential garage doors and one of the largest manufacturers of commercial garage doors in the United States. Specifically, the company intends to: (i) continue expansion of its dealer network; (ii) increase brand awareness, merchandising programs and trade and consumer advertising and product development, (iii) leverage its extensive distribution network by selling additional products to professional installers and to major home center retail chains; and (iv) expand its production and presence nationally through continued strategic acquisitions.

Products and Services

The company manufactures a broad line of residential garage doors, commercial sectional and coiling doors and related products with a variety of options at varying prices. The company's primary manufactured product lines include residential garage doors and commercial/industrial doors. The company also sells related products such as garage door openers. The company offers garage doors made from several materials, including steel and wood. Steel doors accounted for over 90% of garage doors sold by the company in fiscal 1999.

The company markets its line of residential garage doors in three primary product categories: Value, Value Plus and Premium. The Value series door construction consists of a single layer of steel or wood doors targeting the construction market and the cost conscious consumer market. The Value Plus series consists of insulated steel doors targeting the construction market and the quality-oriented consumer market. The Premium series consists of steel doors with a layer of insulation bonded between two sheets of steel targeting consumers who desire exceptional strength, durability, high insulation value, quiet operation, and a finished interior appearance. The company also markets garage door openers that are manufactured by a third party.

The company markets commercial doors in two basic categories: sectional doors and slatted steel coiling doors. Commercial sectional doors are similar to residential garage doors, but are designed to meet more demanding specifications. Slatted steel coiling doors are generally utilized in more demanding commercial and industrial applications, providing an attractive combination of flexibility and durability. In this category the company provides service doors, thermal doors, and fire doors which can be found in warehouses, manufacturing and military installations as well as in public and other institutional buildings. The company also provides (i) counter shutters, fire shutters and grilles that are used in shopping malls, schools, hospitals and the concession areas of large arenas and convention centers, (ii) commercial door openers that are marketed with slatted door products, and (iii) sectional door openers that are manufactured by a third party. During 1999, the company divested an unprofitable peripheral product line, sheet steel roll-up doors, which primarily serviced the self storage mini-warehouse market.

Sales and Marketing

The company sells residential and commercial doors for professional installation directly to a national network of professional installing dealers. The company also sells garage doors to retailers such as The Home Depot Inc., Menards, Inc. and Lowe's Companies, Inc. Beginning in fiscal 2000 the company will become the exclusive supplier of residential garage doors throughout the United States and Canada to The Home Depot, Inc., with Clopay(R) brand doors being sold exclusively to this retail customer in the retail channel of distribution. Sales of the Clopay(R) brand outside the retail channel of distribution are not restricted, and the company is continuing to sell doors to other retailers using alternative brands such as Ideal(R), Holmes(R) and Anozira(TM). The company distributes its garage doors directly from its manufacturing facilities to customers and through its network of 47 company-owned distribution centers throughout the United States and in Canada. This network allows the company to maintain an inventory of garage doors near installing dealers and to provide quick-ship service to retail customers.

Acquisitions

Since 1992, the company has completed three acquisitions of garage door manufacturers. In 1997, the company acquired Holmes-Hally Industries, a West Coast manufacturer and installer of residential garage doors and related hardware. This acquisition has increased the company's manufacturing, distribution and installation presence in the West Coast and Southwestern markets. In 1995, the company acquired the Atlas Roll-lite Corporation, a manufacturer and installer of heavy duty coiling steel doors, grilles and counter shutters for industrial and commercial markets and sectional garage doors for residential applications. In 1992, the company acquired Ideal Door Company, a manufacturer of sectional garage doors for residential and commercial applications.

Manufacturing and Raw Materials

The company currently operates five garage door manufacturing facilities. A key aspect of Garage Doors' research and development efforts has been the ability to continually improve and streamline its manufacturing process. The company's engineering and technological expertise, combined with its capital investment in equipment, generally has enabled the company to efficiently manufacture products in large volume and meet changing customer needs. The company's facilities use proprietary manufacturing processes to produce the majority of its products. Certain of the company's equipment and machinery are internally modified to achieve its manufacturing objectives.

During 1998 and 1999, in order to streamline operations and improve efficiency, the company consolidated or closed several manufacturing and distribution facilities, including certain manufacturing and distribution operations of recently acquired businesses. As a result of these actions and the divestiture of the sheet steel roll-up product line, facilities employed in the Garage Doors operation were reduced by approximately 400,000 square feet and the workforce was reduced by approximately 10%.

During 1998 and 1999, Garage Doors' profitability was impacted by capacity constraints and related manufacturing inefficiencies due to delays in implementing an additional production line. In 1999, this additional line plus a number of other plant capacity projects were implemented, which, in the latter half of the year, eased the capacity shortage. Additional projects to increase capacity are in progress.

The principal raw material used in the company's manufacturing operations is galvanized steel. The company also utilizes certain hardware components as well as wood and insulated foam. All of these raw materials are generally available from a number of sources.

Research and Development

The company operates a technical development center where its engineers work to design, develop and implement new products and technologies and perform durability and performance testing of new and existing products, materials and finishes.

Competition

The garage door industry is characterized by several large national manufacturers and many smaller regional and local manufacturers. Several of the national garage door manufacturers, including the company, have been consolidating the industry through the acquisition of regional and local manufacturers. During 1999, Garage Doors experienced continued competitive pricing pressures, resulting in selling price reductions and increased costs associated with retail home center programs that narrowed margins. The company competes on the basis of product line diversity, quality, service, price and brand awareness.

INSTALLATION SERVICES

The company has developed a substantial network of specialty building products installation and service operations. These 39 locations in 24 markets, covering many of the key new single family home markets in the United States, offer an increasing variety of building products and services to the residential construction and remodeling industries. The company believes that it is one of the leading installing dealers of both garage doors and manufactured fireplaces in the United States.

Industry

The company provides installed specialty building products to residential builders and to consumers. Builders are increasingly acting as developers and marketers, sub-contracting substantially all of the actual construction of a home. Consumers require professional installation services of the company's building products due to the skill levels required for installation and/or the

lack of time to perform the installation themselves. Traditionally, the market for installation services has been very fragmented, characterized by small operations offering a single type of building product in a single market. Recently, national home center chains have begun to offer installation services to consumers, provided through sub-contractors (including the company), for some of its product categories.

Key competitive Strengths

The company believes that the following strengths will continue to enhance the market position of the Installation Services business:

Scale of Operations. In what has historically been an undercapitalized, fragmented industry, the company has sufficient capital and the scale to attract professional management, achieve operating economies, and serve the needs of even the largest national builders.

Multiple product and service offerings. The company believes it is unique in its offering of products and services in several product categories. This offering is leveraged over a common customer base, providing efficiencies and convenience for the customer.

Selection Centers. The company operates well-appointed product showrooms that facilitate selection of products by the consumer, enhancing customer service and providing an environment conducive to up-selling into higher margin products.

Strategy

The company believes that Installation Services has distinguished itself in the marketplace as an expert in select building product categories, with a focus on value-added service.

Installation Services has targeted geographic markets that have a sizeable population or significant growth demographics. The company currently serves 20 of the top 100 metropolitan markets based on population and 9 of the top 20 new single family residential construction markets. The markets served contain 24% of all new residential housing permits in the United States. The company seeks to promote the continued growth of the Installation Services business through strategic acquisitions of new operations in high growth construction markets.

Installation Services' multiple product offering is primarily targeted at new construction, wherein all products are consumed at approximately the same time in the construction process. Products offered are selected by the customer in the company's selection centers. The company believes that its multi-product offering provides strategic marketing advantages over traditional, single product competitors, and provides the company with operational efficiencies. The company seeks to increase the cross-selling of its multiple products to its existing customers. Additionally, the company plans further growth through the introduction of additional installed building products. The replacement and remodeling markets are additional markets for the company's products and professional installation services.

Products and Services

Installation Services sells and installs a variety of building products:

Garage Doors and Openers - garage doors are distributed, professionally installed and serviced in the new construction and replacement markets. This is the largest product category by volume for Installation Services. Installation Services sources the majority of its garage doors from Garage Doors.

Fireplaces - manufactured wood and gas fireplaces and related products such as stone or marble surrounds, wood mantels and gas logs are distributed, professionally installed and serviced primarily to the new construction market.

Flooring - flooring products distributed and installed to the new construction market include carpeting, tile and stone, wood and vinyl.

Appliances - appliances distributed include refrigerators, stoves, cooktops, ovens and dishwashers. These products are sold strictly to the professional builder market.

Kitchen and Bath Cabinets - cabinetry, with options in wood varieties, door styles and organizer inserts are offered for distribution and installation to the residential new construction markets.

Other - other products include seamless gutters, closet systems, window coverings and bath enclosures. Tile and stone applications for shower and bath walls, counter tops and fireplace surrounds are also offered.

Acquisitions

The Installation Services business has entered new markets primarily through acquisition. Once established in a market, the company introduces additional product categories to the acquired company's product offerings. Since 1993, the company has completed twelve acquisitions of building products service and installation operations.

Competition

The installation services industry is fragmented consisting primarily of small, single-market companies which have less financial resources than the company. The company competes on the basis of service, product line diversity, price and brand awareness.

SPECIALTY PLASTIC FILMS

The company believes that, through Clopay, it is a leading developer and producer of plastic films and laminates for a variety of hygienic, health care and industrial uses in domestic and certain international markets. Specialty Plastic Films' products include thin gauge embossed and printed films, elastomeric films and laminates of film and non-woven fabrics. These products are used primarily as moisture barriers in disposable infant diapers, adult incontinence products and feminine hygiene products, as protective barriers in single-use surgical and industrial gowns, drapes, equipment covers, and as packaging for hygienic products. Specialty Plastic Films' products are sold through the company's direct sales force primarily to multinational consumer and medical products companies.

Industry

The specialty plastic films industry has been affected by several key trends over the past five years. These trends include the increased use of disposable products in emerging countries and favorable demographics in most countries, such as high birth rates in third world countries and the aging of the population. Other key trends representing significant opportunities for manufacturers include the continued demand for new advanced products such as breathable and laminated products and the need of major customers for global supply partners.

Key Competitive Strengths

The company believes that the following strengths will continue to enhance the market position of Specialty Plastic Films:

Technological Expertise and Product Development. The company believes that, as a result of ongoing research and development activities and continued capital investment, it is a leader in new product development for specialty plastic films and laminates. The company has developed technologically advanced embossed films, elastomeric films, breathable films, laminates and cloth-like barrier products for diapers, feminine hygiene products and disposable health care products. The company believes that its technical expertise and product development capabilities enhance its market position and customer relationships.

Long-Term Customer Relationships and Expanding International Presence. The company has developed strong, long-term relationships with leading consumer and medical products companies. The company believes that these relationships, combined with its technological expertise, product development and production capabilities, have positioned it to meet changing customer needs, which the company expects will drive growth. In addition, the company believes its strong, long-term relationships provide it with increasing opportunities to enter new international markets, such as Latin America and the Pacific Rim.

Strategy

The company seeks to expand its market presence for Specialty Plastic Films by capitalizing on its technological and manufacturing expertise and on its relationships with major international consumer products companies. Specifically, the company believes that it can increase its domestic sales and substantially expand internationally through continued product development and enhancement and by marketing its technologically advanced breathable films and laminates for use in all of its markets. The company believes that its Finotech joint venture and 1998 acquisition of Bhme (see European Operations) provide a strong platform for additional sales growth in certain international markets.

Products

Specialty Plastic Films manufactures a wide variety of embossed and printed specialty films and laminates for the hygiene, healthcare and other markets. Specialty Plastic Films' products are used as moisture barriers for disposable infant diapers, adult incontinence and feminine hygiene products and as protective barriers in single-use surgical and industrial gowns, drapes, equipment covers and packaging. A specialty plastic film is a thin-gauge film (typically 0.0005" to 0.003") that is manufactured from polyolefin resins and engineered to provide certain performance characteristics. A laminate is the combination of a plastic film and a non-woven fabric. These products are produced using both cast and blown extrusion and laminating processes. High speed, multi-color custom printing of films and customized embossing patterns further differentiate the products. The company's specialty plastic products typically provide a unique combination of performance characteristics that meet specific, proprietary customer needs. Examples of such characteristics include strength, breathability, barrier properties, processibility and aesthetic appeal.

Sales and Marketing

The company sells its products primarily in the United States and Europe with sales also in Canada, Latin America and the Pacific Rim. The company utilizes an internal direct sales force and manufacturer representatives, organized by customer accounts. Senior management actively participates by developing and maintaining close contacts with customers.

The company's largest customer is Procter & Gamble, which has accounted for a substantial portion of Specialty Plastic Films' sales over the last five years. The loss of this customer would have a material adverse effect on the company's business. Specialty plastic films also are sold to a diverse group of other leading consumer and health care companies.

Research and Development

The company believes it is an industry leader in the research, design and development of specialty plastic films and laminate products. The company operates a technical center where approximately 30 chemists, scientists and engineers work independently and in strategic partnerships with the company's customers to develop new technologies, products and product applications. Currently, the company is engaged in several joint efforts with the research and development departments of its specialty plastic film customers.

The company's research and development efforts have resulted in many inventions covering embossing patterns, improved processing methods, product formulations, product applications and other proprietary technology. Recent new products include microporous breathable films and cost-effective cloth-like

films and laminates. Microporous breathability provides for airflow while maintaining barrier properties resulting in improved comfort and skin care. Cloth-like films and laminates provide consumer preferred aesthetics such as softness and visual appeal. The company holds a number of patents for its current specialty film and laminate products and related manufacturing processes. Such patents are believed to be a less significant factor in the company's success than its proprietary know-how and the knowledge, ability and experience of its employees.

European Operations

In 1996, the company formed Finotech, a joint venture with Corovin GmbH, a manufacturer of non-woven fabrics headquartered in Germany and is a subsidiary of BBA Group PLC, a publicly owned diversified U.K. manufacturer. The joint venture was created to develop, manufacture and market specialty plastic film and laminate products for use in the infant diaper, healthcare and other markets. Finotech, which is 60% owned by the company, focuses on selling its products in Europe.

In 1997, Finotech constructed and began to operate a manufacturing facility in Germany, the cost of which was approximately \$9 million. Subsequently, Finotech made capital expenditures of approximately \$25 million for new production lines. This expansion, which was financed primarily by joint venture borrowings, is designed to meet anticipated demand under multi-year contracts with a major international consumer products company, and has increased Finotech's manufacturing capacity by approximately 200%.

In July 1998, the company acquired Bhme Verpackungsfolien GmbH & Co., a German manufacturer of high-quality printed and conventional plastic packaging and specialty films. The acquisition provides a platform to further expand Specialty Plastic Films' European operations and the opportunity to broaden the segment's product line by bringing Bhme technology and products to domestic and other international markets. These products include printed and unprinted film and flexible packaging for hygienic products.

Manufacturing and Raw Materials

The company manufactures its specialty plastic film and laminate products on high-speed equipment designed to meet stringent tolerances. The manufacturing process consists of melting a mixture of polyolefin resins (primarily polyethylene) and additives, and forcing this mixture through a computer controlled die and rollers to produce embossed films. In addition, the lamination processes involve extruding the melted plastic films directly onto a non-woven fabric and adhesively bonding these materials to form a laminate. Through statistical process control methods, company personnel monitor and control the entire production process.

Plastic resins, such as polyethylene and polypropylene, and non-woven fabrics are the basic raw materials used in the manufacture of substantially all of Specialty Plastic Films' products. The company currently purchases its plastic resins in pellet form from several suppliers. The purchases are made under annual supply agreements that do not specify fixed pricing terms. During 1999, Finotech experienced a shortage of certain specialty resins. Although the joint venture was able to supplement its supply of such resins from other sources and use alternative raw materials, the ramp-up of its operations was impacted by resultant higher raw material costs and manufacturing inefficiencies. The shortage, which the company considers unusual, has been resolved. The company's sources for raw materials are believed to be adequate for its current and anticipated needs.

Competition

The market for the company's specialty plastic film and laminate products is highly competitive. The company has a number of competitors in the specialty plastic films and laminates market, some of which are larger and have greater resources than the company. Over the past several years the specialty plastic films industry has experienced periods of selling price reductions due to competitive pressures in connection with excess industry manufacturing capacity

for commodity products. The company competes primarily on the basis of technical expertise, quality, service and price.

ELECTRONIC INFORMATION AND COMMUNICATION SYSTEMS

The company, through its wholly-owned subsidiary, Telephonics, specializes in advanced electronic information and communication systems for defense, aerospace, civil, industrial and commercial markets worldwide. The company designs, manufactures, and provides logistical support for aircraft communication systems, radars, air traffic management systems, identification friend or foe ("IFF") equipment, transit communications and custom mixed-signal large scale integrated circuits. The company believes that it has a significant presence in the markets for airborne maritime surveillance radar and aircraft communication systems, two of the segment's largest product lines. In addition to its continued focus on defense applications, in recent years the company has adapted its technology to expand its presence in non-military government, commercial and international markets.

Some of the major programs in which the company currently participates include:

Description -----	Customer -----	Products -----
SH-60R (U.S. Navy Multi-mission Helicopter)	Lockheed Martin	Multi-mode radar, intercommunication and radio management and IFF systems
NIMROD 2000 (U.K. Royal Maritime Patrol Aircraft)	British Aerospace	Integration of communications and radio management systems
C-17 (U.S. Air Force Cargo Transport)	Boeing	Integrated radio management and wireless communication systems
AWACS (U.S. Air Force/NATO Airborne Warning and Control System)	Boeing/NATO	IFF and radio management systems
Joint-STARS (U.S. Air Force Airborne Surveillance System)	Lockheed Martin	Intercommunication and radio management systems
Maritime Surveillance Radar	Sikorsky/Kaman	Airborne coastal surveillance radar
Rail Transit Communications	Kawasaki, Bombardier and others	Car-borne and wayside communications and vehicle health monitoring systems for rail cars

Industry

The segment's market is comprised of defense and non-military government and commercial customers, both domestically and internationally.

In recent years, the Electronic Information and Communication Systems segment has expanded its customer base with increasing emphasis on non-military government, commercial, industrial and new international markets. For example, sales to customers other than the U.S. Department of Defense and its contractors and subcontractors increased from approximately 30% of the segment's net sales in fiscal 1992 to approximately 52% of net sales in fiscal 1999.

Although the United States defense budget has remained relatively constant in the last several years, the electronics procurement portion of the budget is expected to grow approximately 8% per year over the next 10 years, according to the Electronics Industry Association. This is due in part to the government's

plan to upgrade the technology in existing weapon systems platforms rather than purchase entirely new platforms and systems.

One of the major non-defense markets for the segment's products in the United States is the mass transit market. The company believes that both federal and local governments will continue to increase funding over the next few years to upgrade the infrastructure of their mass transit systems. This market is serviced by a limited number of manufacturers who are capable of providing the required electronics, logistics support and installation support.

Electronic Information and Communication Systems' commercial projects include contracts with Kawasaki, Bombardier, Breda and other rail suppliers for rail communications systems as well as with Boeing for aircraft intercommunication systems and audio products.

In recent years, the segment has significantly expanded its customer base in international markets. The company's international projects include a contract with British Aerospace PLC as part of the United Kingdom's upgrade of the NIMROD surveillance aircraft and several contracts with the Civil Aviation Authority of China for air traffic management systems. As a result of these and other developments, the segment's sales to these markets increased from 8% of net sales in fiscal 1992 to 42% of net sales in fiscal 1999.

Key Competitive Strengths

The company believes that the following strengths will continue to enhance the market position of Electronic Information and Communication Systems:

Innovative Design and Engineering Capability. The company believes that its reputation for innovative product design and engineering capabilities has enhanced its ability to secure, retain and expand key contracts in its markets. In addition, the company is capable of meeting a full range of customer requirements including product conceptual design, engineering, production and logistical support. As a result, the company has been successful in increasing its presence in both domestic and international markets and in applying its defense technologies in non-military markets.

Broad Base of Long-Life Programs. The company participates in a range of long-term defense and non-military government programs, both domestically and internationally. The company has developed a base of installed products in these programs that generate significant recurring revenue and retrofit, spare parts and customer support sales. The company believes that its recent awards of significant contracts will add to its installed base and further enhance its ability to generate recurring revenues.

Strategy

The company intends to increase the market penetration of Electronic Information and Communication Systems' products in the defense and non-military government markets both domestically and internationally by leveraging its design and engineering capabilities. For example, the company has applied such capabilities to develop an advanced imaging radar used in the U.S. Navy's SH-60R multi-mission helicopter. As a result, the company expects substantial sales growth as it transitions from development to the production phase of the SH-60R helicopter program, which is expected to occur in 2001. In addition, the company intends to continue to capitalize on the technology it has developed for defense programs by entering into new non-military government markets, as exemplified by contracts to provide car-borne communications systems for trains and subway cars.

Products

The company manufactures specialized electronic products for a variety of niche applications. Electronic Information and Communication Systems products include communication systems, radar systems, information and command and control systems, and custom mixed-signal large scale integrated circuits used in defense, non-military government and commercial markets. The company also

manufactures audio products for commercial aircraft, such as headsets, microphones and handsets.

The company specializes in communication systems and products and is a leading manufacturer of aircraft intercommunication systems with products in digital and analog communication management, digital audio distribution and control, and communication systems integration. The company's communication products are used on the U.S. Navy SH-60R multi-mission helicopter, the United Kingdom's NIMROD surveillance aircraft, U.S. Air Force C-17 cargo transport and AWACS. The company has expanded its communications expertise into the mass transit rail market and its communication systems have been selected for installation by several major mass transit authorities, including the New York City Transit Authority, Long Island Railroad, Southeastern Pennsylvania Transit Authority, Massachusetts Bay Transit Authority and California Transit Authority.

The company's information and command and control systems include airborne maritime surveillance radar, air traffic management systems and landing systems. The company provides both the expertise and the equipment for detecting and tracking targets in a maritime environment and flight path management systems for air traffic control applications. Its maritime radar systems, which are used in more than 20 countries, are fitted aboard helicopters, fixed-wing aircraft and aerostats for use at sea. The company's aerospace electronic systems include IFF systems used by the U.S. Air Force and NATO on the AWACS aircraft and microwave landing systems used by NASA and other customers for ground and ship based applications.

The company also manufactures custom mixed-signal large scale integrated circuits primarily for customers in the security, automotive and telecommunications industries, as well as for customers in the defense industry. Security applications include smoke and motion detectors as well as intrusion alarm systems. Suppliers to the automotive industry feature the company's custom circuits in engine controllers, power window controllers, airbag sensors, fluid level sensors and rear window defoggers. In addition, the company's custom integrated circuits are important components in various computer peripheral devices.

Backlog

The company's funded backlog for Electronic Information and Communication Systems was approximately \$170 million on September 30, 1999, compared to \$189 million on September 30, 1998.

Sales and Marketing

Telephonics has approximately 15 technical business development personnel who act as the focal point for its marketing activities and approximately 30 sales representatives who introduce its products and systems to customers worldwide.

Research and Development

A portion of Electronic Information and Communication Systems' product development activities are generally performed under government contracts. The segment also regularly updates its core technologies through internally funded research and development. The selection of these projects is based on available opportunities in the marketplace as well as input from the company's customers. These projects usually represent an evolution of existing products rather than entirely new pursuits. The company's recent internally funded research and development activities are exemplified by the development of a next generation airborne radar system and an all digital interior communication system.

Competition

Electronic Information and Communication Systems competes with major manufacturers of electronic information and communication systems that have greater financial resources than the company, and with several smaller manufacturers of similar products. The company competes on the basis of technology, design, quality, price and program performance.

EMPLOYEES

The company has approximately 5,400 employees located throughout the United States and in Europe. Approximately 100 of its employees are covered by a collective bargaining agreement, primarily with an affiliate of the AFL-CIO. The company believes its relationships with its employees are satisfactory.

OFFICERS OF THE REGISTRANT

Name ----	Age ---	Served as Officer Since -----	Positions and Offices -----
Harvey R. Blau	64	1983	Chairman of the Board and Chief Executive Officer
Robert Balemian	60	1976	President
Patrick L. Alesia	51	1979	Vice President and Treasurer
Edward I. Kramer	65	1997	Vice President, Administration and Secretary

ITEM 2 - PROPERTIES

The company occupies approximately 4,000,000 square feet of general office, factory and warehouse space and showrooms throughout the United States and in Germany. The following table sets forth certain information as to each of the company's major facilities:

Location -----	Business Segment -----	Primary Use -----	Approximate Square Footage -----	Owned or Leased -----
Jericho, NY	Corporate Headquarters	Office	10,000	Leased
Farmingdale, NY	Electronic Information and Communication Systems	Manufacturing	167,000	Owned
Huntington, NY	Electronic Information and Communication Systems	Manufacturing	89,000	Owned
Cincinnati, OH	Garage Doors Installation Services Specialty Plastic Films	Office	50,000	Leased
Cincinnati, OH	Garage Doors Specialty Plastic Films	Research and Development	49,000	Leased
Aschersleben, Germany	Specialty Plastic Films	Manufacturing	395,000	Owned
Dombhl, Germany	Specialty Plastic Films	Manufacturing	398,000	Owned
Augusta, KY	Specialty Plastic Films	Manufacturing	143,000	Owned
Nashville, TN	Specialty Plastic Films	Manufacturing	126,000	Leased
Fresno, CA	Specialty Plastic Films	Manufacturing	37,000	Leased
Russia, OH	Garage Doors	Manufacturing	274,000	Leased
Baldwin, WI	Garage Doors	Manufacturing	216,000	Leased
Nesbit, MS	Garage Doors	Manufacturing	40,000	Owned
Los Angeles, CA	Garage Doors	Manufacturing	40,000	Leased

Auburn, WA	Garage Doors	Manufacturing	123,000	Leased
Tempe, AZ	Garage Doors Installation Services	Manufacturing Warehousing	145,000	Leased

The company also leases approximately 1,500,000 square feet of space for the Garage Doors distribution centers and Installation Services locations in numerous facilities throughout the United States.

The company has aggregate minimum annual rental commitments under real estate leases of approximately \$10 million. The majority of the leases have escalation clauses related to increases in real property taxes on the leased property and some for cost of living adjustments. Certain of the leases have renewal and purchase options. All plants and equipment of the company are believed to be in adequate condition and contain sufficient space for current and presently foreseeable needs.

ITEM 3 - LEGAL PROCEEDINGS

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

Subsequently, the company was advised by the New York State Department of Environmental Conservation ("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 Properties has entered into a consent order with the DEC to perform a remedial investigation and prepare a feasibility study, which has been completed. Management believes, based on facts presently known to it, that the outcome of this matter will not have a material adverse effect on the company's consolidated financial position or results of operations.

ITEM 4 - SUBMISSION OF MATTERS TO A
VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY
AND RELATED STOCKHOLDER MATTERS

(a) The company's common stock is listed for trading on the New York Stock Exchange. The following table shows for the periods indicated the quarterly range in the high and low closing prices for the company's common stock as reported by the National Quotation Bureau Incorporated.

FISCAL QUARTER ENDED	HIGH ----	LOW ---
December 31, 1997	\$17 1/2	\$14 3/8
March 31, 1998	17 3/8	14 11/16
June 30, 1998	15 7/16	12 3/8
September 30, 1998	13 15/16	7 15/16
December 31, 1998	11 3/16	7 5/8
March 31, 1999	10 7/8	6 7/8

June 30, 1999
September 30, 1999

8 3/8
8

6 7/16
6 5/8

(b) As of November 1, 1999, there were approximately 14,000 recordholders of the company's common stock.

(c) No dividends on common stock were declared or paid during the five years ended September 30, 1999.

ITEM 6 - SELECTED FINANCIAL DATA

	YEARS ENDED SEPTEMBER 30,				
	1999	1998	1997	1996	1995
Net sales	\$1,032,697,000	\$914,874,000	\$770,227,000	\$655,063,000	\$506,116,000
Income from continuing operations	\$ 20,211,000	\$ 29,321,000	\$ 33,164,000	\$ 28,067,000	\$ 23,245,000
Per share:					
Basic	\$.67	\$.96	\$ 1.12	\$.93	\$.73
Diluted	\$.66	\$.94	\$ 1.06	\$.88	\$.69
Total assets	\$ 533,440,000	\$487,938,000	\$384,759,000	\$311,169,000	\$285,616,000
Long-term obligations	\$ 135,284,000	\$112,829,000	\$ 53,854,000	\$ 32,458,000	\$ 16,074,000

<FN>
Income from continuing operations in 1999 was after a \$3,500,000 pre-tax restructuring charge which had the effect of reducing earnings per share by \$.07.
</FN>

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information", which became effective for fiscal 1999, established new standards for reporting information about operating segments. The following information is presented in accordance with related segment results presented in Note 6 of "Notes to Consolidated Financial Statements."

RESULTS OF OPERATIONS

FISCAL 1999 COMPARED TO FISCAL 1998

Net sales by business segment were as follows:

	1999	1998	Percentage Change
	----	----	-----
	(millions)		
Garage doors	\$ 447.7	\$444.0	.8%
Installation services	240.7	177.1	35.9%
Specialty plastic films	197.5	167.5	17.9%
Electronic information and communication systems	177.1	156.9	12.9%
Intersegment revenues	(30.3)	(30.6)	
	-----	-----	
	\$1,032.7	\$914.9	12.9%
	=====	=====	

Net sales of the garage doors segment increased by \$3.7 million compared to 1998. The increase was principally attributable to higher unit sales of garage doors (\$18.9 million) due to strong construction and related retail markets and additional production capacity, partly offset by the effects of competitive pricing and the second quarter sale of a commercial product line.

Net sales of the installation services segment increased by \$63.6 million compared to 1998. The second quarter acquisition of an operation that sells and installs a range of specialty products to the residential construction market accounted for \$39.0 million of the increase. The remainder of the increase was principally attributable to the segment's internal growth due to the strong housing market, increased market share and expanded product line offerings.

Net sales of the specialty plastic films segment increased \$30.0 million compared to last year. Net sales of a 1998 fourth quarter acquisition accounted for \$21.7 million of the increase. The remainder of the increase was principally attributable to higher unit volume in the segment's 60%-owned joint venture, partially offset by price competition in the commodity end of the business.

Net sales of the electronic information and communication systems segment increased \$20.2 million compared to last year due to new programs and increased funding on existing programs in the segment's defense, international and transit markets.

Operating profit by business segment was as follows:

	1999	1998	Percentage Change
	----	----	-----
	(millions)		
Garage doors	\$27.9	\$32.1	(13.0%)
Installation services	6.5	4.6	41.4%
Specialty plastic films	.6	7.4	(92.6%)
Electronic information and communication systems	15.6	13.7	14.3%
	-----	-----	
	\$50.6	\$57.8	(12.5%)
	=====	=====	

Operating profit of the garage doors segment decreased by \$4.2 million compared to 1998. The decrease was principally due to competitive pricing pressures, expenses associated with new distribution centers and, through the first six months, capacity constraints and related manufacturing inefficiencies and the operating loss related to a divested commercial product line, partly offset by lower raw material costs and improved manufacturing efficiencies in the second half of the year.

Operating profit of the installation services segment increased by \$1.9 million primarily due to the earnings from an acquired company. The effect of remaining revenue growth was offset primarily by higher distribution and labor costs to support the business' continuing expansion.

Operating profit of the specialty plastic films segment decreased by \$6.8 million compared to last year. Earnings of a late 1998 acquisition were offset by the effects of competitive pricing, increased raw material costs and manufacturing inefficiencies related to the ramp-up of the segment's joint venture operation. Operating results of this segment strengthened in the fourth quarter of the year, and it is anticipated that, although pricing pressures are likely to persist, continued volume-driven improvement and increased manufacturing efficiencies will result in improving operating results.

Operating profit of the electronic information and communication systems segment increased by \$2.0 million compared to last year due to the effect of

increased sales, partly offset by increased research and development expenditures.

In addition to the operating results described above, in the second quarter of fiscal 1999 the company recorded a \$3.5 million restructuring charge in connection with the closing of a garage door manufacturing facility in order to streamline operations and improve efficiency. In addition to divesting a commercial product line, since the last half of 1998 and continuing into 1999 the company has consolidated or closed several of garage doors' manufacturing or distribution facilities. As a result of these actions, facilities employed in the garage doors segment were reduced by approximately 400,000 square feet and the workforce was reduced by 244 employees, including approximately 100,000 square feet and 100 manufacturing employees in connection with the 1999 plant closure.

Net interest expense increased by \$3.7 million compared to last year due to higher levels of outstanding debt from acquisitions in late 1998 and in 1999, from borrowings to finance new production lines for specialty plastic films' joint venture and from lower investable balances.

FISCAL 1998 COMPARED TO FISCAL 1997

Net sales by business segment were as follows:

	1998 ----	1997 ----	Percentage Change -----
	(millions)		
Garage doors	\$444.0	\$381.9	16.3%
Installation services	177.1	112.9	56.8%
Specialty plastic films	167.5	163.7	2.3%
Electronic information and communication systems	156.9	127.3	23.2%
Intersegment revenues	(30.6)	(15.6)	
	----- \$914.9 =====	----- \$770.2 =====	18.8%

Net sales of the garage doors segment increased by \$62.1 million compared to 1997. A company acquired during 1997 that is included in 1998 operating results for the full year accounted for approximately \$42.2 million of the increase. Higher unit sales of garage doors resulting from continued strong demand in the residential and related retail markets, partly offset by the effect of competitive pricing, contributed the remainder of the increase.

Net sales of the installation services segment increased \$64.2 million compared to last year. Acquisitions, including a company acquired during 1997 that is included in 1998 operating results for the full year, accounted for approximately \$45.9 million of the increase, with the remainder stemming from geographic expansion and internal growth.

Net sales of the specialty plastic films segment increased by \$3.8 million compared to 1997. In July 1998 the specialty plastic films segment acquired a plastic packaging manufacturer located in Germany which accounted for a sales increase of \$7.6 million. Lower than anticipated sales from new programs in the infant diaper market contributed to a modest increase in unit volume, the effects of which were offset by price competition in the commodity end of the segment's business, and a pass-through to customers of lower resin prices.

Net sales of the electronic information and communication systems segment increased by \$29.6 million, principally because of new program awards and increased funding levels on several programs in the segment's defense and international business. Included were sales of approximately \$22 million, a \$10 million increase compared to the prior year, under a contract to provide

integrated radio management and communication systems for a United Kingdom coastal surveillance aircraft program.

Operating profit by business segment was as follows:

	1998 ----	1997 ----	Percentage Change -----
	(millions)		
Garage doors	\$32.1	\$37.9	(15.2%)
Installation services	4.6	3.8	20.8%
Specialty plastic films	7.4	8.7	(14.0%)
Electronic information and communication systems	13.7	12.1	12.6%
	-----	-----	
	\$57.8	\$62.5	(7.5)%
	=====	=====	

Operating profit of the garage doors segment decreased by \$5.8 million compared to 1997. The effect of the sales growth was offset by competitive pricing pressures, capacity constraints and related manufacturing inefficiencies due to delay in implementing an additional production line, increased operating expenses associated with new distribution centers and certain manufacturing inefficiencies related to production of commercial doors.

Operating profit of the installation services segment increased by \$.8 million compared to last year due to the increased sales, partly offset by higher costs to support the sales growth.

Operating profit of the specialty plastic films segment declined by \$1.3 million compared to last year. The segment experienced decreased earnings in fiscal 1998 due to lower than anticipated sales from new programs and price competition in the commodity end of the segment's business, partly offset by increased unit sales volume from new infant diaper programs and earnings from an acquired company.

Operating profit of the electronic information and communication systems segment increased by \$1.6 million due to the increased sales.

Net interest expense increased by \$1.2 million compared to 1997 due to higher levels of outstanding debt in 1998 from acquisitions in 1997 and 1998, from borrowings to finance new production lines for specialty plastic films' joint venture and from lower investable balances in 1998.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided by operations for 1999 was \$15.9 million, and working capital was \$189.0 million at September 30, 1999

During 1999 the company acquired, in a cash transaction, an operation with annual sales of approximately \$50 million that sells and installs a range of specialty products to the residential construction market in Phoenix and Las Vegas. The purchase price of approximately \$20 million was financed under the company's bank credit lines.

During 1999 the company increased the amount of its revolving credit facility from \$80,000,000 to \$120,000,000. Revolving credit at rates based upon LIBOR or the prime rate is available through 2002, after which outstanding borrowings may be converted into a four-year term loan. At September 30, 1999 \$80,000,000 was outstanding under this facility.

The company rents various real property and equipment through noncancellable operating leases. Related future minimum lease payments due in 2000 approximate \$28 million and are expected to be funded through operating cash flows.

During the year, the company had capital expenditures of approximately \$27.7 million, including \$8.6 million to upgrade and enhance strategic business systems. The balance of capital expenditures were principally made in connection with increasing production capacity, including approximately \$3 million for new production lines for its specialty plastic films' joint venture in Germany. During 2000 the company anticipates capital expenditures of approximately \$30 to \$35 million, primarily in the garage doors and specialty plastic films segments in connection with additional production capacity and manufacturing improvements, and continuing the systems upgrade program. The company estimates that aggregate capital expenditures for systems upgrade and enhancement programs will be approximately \$40 million. Through September 30, 1999 the company had incurred approximately \$30 million of such costs with the balance to be incurred through fiscal 2001.

Anticipated cash flows from operations, together with existing cash, bank lines of credit and lease line availability, should be adequate to finance presently anticipated working capital and capital expenditure requirements and to repay long-term debt as it matures.

NEW ACCOUNTING STANDARDS

In 1998, the American Institute of Certified Public Accountants issued Statement of Position No. 98-5 (SOP 98-5), "Reporting on the Costs of Start-Up Activities." SOP 98-5, which becomes effective for the company's fiscal year ended September 30, 2000, sets accounting standards in connection with accounting and financial reporting related to costs of start-up activities. SOP 98-5 requires that, at the date of adoption, costs of start-up activities previously capitalized be written-off as a cumulative effect of a change in accounting principle, and further requires that such costs incurred subsequent to adoption be expensed. Consequently, in the first quarter of fiscal 2000, the company's 60%-owned joint venture will be required to write-off, as the cumulative effect of a change in accounting principle, costs that were previously capitalized in connection with the start-up of the venture and the implementation of additional production capacity. The cumulative effect, after taxes, of adopting SOP 98-5 will be approximately \$5,300,000; the effect on net income, after the minority interest's share of the cumulative effect, will be approximately \$3,200,000.

YEAR 2000

The company has taken actions in each of its businesses to address Year 2000 issues in connection with the company's application software, hardware and related operating platforms ("IT Systems"), embedded technology such as microcontrollers used in production equipment or products, and third parties, principally suppliers and customers.

Within the installation services, specialty plastic films and electronic information and communication systems segments, IT Systems were replaced or modified such that the company believes them to be Year 2000 compliant.

The garage doors segment initially expected that Year 2000 issues would be addressed within the context of a substantial systems upgrade and enhancement program. This program however, was running behind schedule, and in order to remediate identified Year 2000 issues, software modifications to existing systems were implemented and completed such that they are believed to be Year 2000 compliant.

With respect to embedded technology, inventories and assessments in each of the company's business segments have been completed. Based on the results of this process, the company believes that there are no significant Year 2000 exposures from embedded technology.

The company believes that its "reasonably likely worst case scenarios" involve the failure of significant third parties with whom the company does business to address their Year 2000 issues. Contingency plans being developed include, but are not limited to, identification of alternate suppliers and possible increases in inventory levels.

In evaluating the impact of Year 2000 on significant third parties, each business segment identified and contacted the parties involved or otherwise attained an understanding of such third parties' Year 2000 readiness. Based on the results of this process, the company does not anticipate a major interruption of its business activities. However, that will be dependent on the ability of significant third parties to be Year 2000 compliant, a factor beyond the ability of the company to control. Consequently, while the company believes that its actions are responsive to Year 2000 risks regarding significant third parties, it is not possible to eliminate such risks or to estimate the ultimate effect that significant third parties' Year 2000 readiness will have on the company's operating results.

The company estimates that approximately \$2.5 million will be expended for Year 2000 consulting costs, the majority of which was incurred through September 30, 1999. The company has not separately tracked all costs for Year 2000 efforts since such compliance was expected to be achieved as an ancillary benefit of budgeted systems upgrade and enhancement programs, or principally consist of payroll and related costs for information systems personnel.

FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact included in this annual report, including without limitation statements regarding the company's financial position, business strategy, Year 2000 readiness and the plans and objectives of the company's management for future operations, are forward-looking statements. When used in this annual report, words such as "anticipate", "believe", "estimate", "expect", "intend" and similar expressions, as they relate to the company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the company's management, as well as assumptions made by and information currently available to the company's management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors, including but not limited to, business and economic conditions, competitive factors and pricing pressures, capacity and supply constraints and the impact of any disruption or failure in normal business activities at the company and its customers and suppliers as a consequence of Year 2000 related problems. Such statements reflect the views of the company with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the company. Readers are cautioned not to place undue reliance on these forward-looking statements. The company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect future events or circumstances or to reflect the occurrence of unanticipated events.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Management does not believe that there is any material market risk exposure with respect to derivative or other financial instruments that would require disclosure under this item.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements of the company and its subsidiaries and the report thereon of Arthur Andersen LLP, dated November 11, 1999 are included herein:

- Report of Independent Public Accountants.
- Consolidated Balance Sheets at September 30, 1999 and 1998.
- Consolidated Statements of Income, Cash Flows and Shareholders' Equity for the years ended September 30, 1999, 1998, 1997.
- Notes to Consolidated Financial Statements.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Griffon Corporation:

We have audited the accompanying consolidated balance sheets of Griffon Corporation (a Delaware corporation) and subsidiaries as of September 30, 1999 and 1998 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 1999. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Griffon Corporation and subsidiaries as of September 30, 1999 and 1998 and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1999 in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index to consolidated financial statements and schedules is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Roseland, New Jersey
November 11, 1999

GRIFFON CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30, 1999	1998
	-----	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 21,242,000	\$ 19,326,000
Accounts receivable, less allowance for doubtful accounts of \$8,068,000 in 1999 and \$7,476,000 in 1998 (Note 1)	123,008,000	114,784,000
Contract costs and recognized income		

not yet billed (Note 1)	65,527,000	47,324,000
Inventories (Note 1)	94,419,000	104,517,000
Prepaid expenses and other current assets	22,832,000	20,675,000
	-----	-----
Total current assets	327,028,000	306,626,000
	-----	-----
Property, Plant and Equipment, at cost, net of depreciation and amortization (Note 1)	134,882,000	132,214,000
	-----	-----
Other Assets:		
Costs in excess of fair value of net assets of businesses acquired, net (Note 1)	51,315,000	38,359,000
Other	20,215,000	10,739,000
	-----	-----
	71,530,000	49,098,000
	-----	-----
	\$533,440,000	\$487,938,000
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes payable and current portion of long-term		
debt	\$ 17,836,000	\$ 9,414,000
Accounts payable	58,540,000	62,542,000
Accrued liabilities (Note 1)	61,629,000	63,178,000
Federal income taxes (Note 1)	---	3,010,000
	-----	-----
Total current liabilities	138,005,000	138,144,000
	-----	-----
Long-Term Debt (Note 2)	127,652,000	107,458,000
	-----	-----
Minority Interest and Other	17,562,000	12,247,000
	-----	-----
Commitments and Contingencies (Note 4)		
Shareholders' Equity (Note 3):		
Preferred stock, par value \$.25 per share, authorized 3,000,000 shares, no shares issued	---	---
Common stock, par value \$.25 per share, authorized 85,000,000 shares, issued 31,735,349 shares in 1999 and 31,706,362 shares in 1998	7,934,000	7,927,000
Capital in excess of par value	41,232,000	40,053,000
Retained earnings	218,196,000	197,985,000
Treasury shares, at cost, 1,387,402 common shares in 1999 and 1,287,002 common shares in 1998	(14,548,000)	(13,823,000)
Accumulated other comprehensive income (Note 1)	(1,074,000)	---
Deferred compensation	(1,519,000)	(2,053,000)
	-----	-----
Total shareholders' equity	250,221,000	230,089,000
	-----	-----
	\$533,440,000	\$487,938,000
	=====	=====

<FN>

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

</FN>

GRIFFON CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED SEPTEMBER 30,

	1999	1998	1997
	-----	-----	-----
Net sales	\$1,032,697,000	\$914,874,000	\$770,227,000
Cost of sales	783,505,000	685,230,000	571,132,000
	-----	-----	-----
	249,192,000	229,644,000	199,095,000
Selling, general and administrative expenses	207,499,000	180,211,000	144,663,000
Restructuring charge (Note 1)	3,500,000	---	---
	-----	-----	-----
	38,193,000	49,433,000	54,432,000
	-----	-----	-----
Other income (expense):			
Interest expense	(7,871,000)	(3,934,000)	(3,475,000)
Interest income	864,000	627,000	1,377,000
Other, net	895,000	416,000	699,000
	-----	-----	-----
	(6,112,000)	(2,891,000)	(1,399,000)
	-----	-----	-----
Income before income taxes	32,081,000	46,542,000	53,033,000
	-----	-----	-----
Provision for income taxes (Note 1):			
State and foreign	2,238,000	4,027,000	3,102,000
Federal	9,632,000	13,194,000	16,767,000
	-----	-----	-----
	11,870,000	17,221,000	19,869,000
	-----	-----	-----
Net income	\$ 20,211,000	\$ 29,321,000	\$ 33,164,000
	=====	=====	=====
Earnings per share of common stock (Note 1):			
Basic	\$.67	\$.96	\$ 1.12
	=====	=====	=====
Diluted	\$.66	\$.94	\$ 1.06
	=====	=====	=====

<FN>

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

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GRIFFON CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30,

	1999	1998	1997
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 20,211,000	\$29,321,000	\$ 33,164,000
	-----	-----	-----
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	23,013,000	16,255,000	11,452,000
Provision for losses on accounts receivable	2,780,000	1,907,000	1,312,000
Deferred income taxes	---	(1,039,000)	2,942,000
Non-cash asset write-downs from restructuring	2,150,000	---	---
Change in assets and liabilities:			
Increase in accounts receivable and contract costs and recognized income not yet billed	(22,727,000)	(15,070,000)	(15,750,000)
(Increase) decrease in inventories	9,105,000	(14,058,000)	(21,000)
Increase in prepaid expenses and other assets	(8,382,000)	(5,587,000)	(7,120,000)
Increase (decrease) in accounts payable, accrued liabilities and Federal income taxes	(12,854,000)	4,393,000	12,975,000
Other changes, net	2,622,000	4,677,000	2,321,000
	-----	-----	-----
Total adjustments	(4,293,000)	(8,522,000)	8,111,000
	-----	-----	-----

Net cash provided by operating activities	15,918,000	20,799,000	41,275,000

CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease in marketable securities	---	1,379,000	2,918,000
Acquisition of property, plant and equipment	(27,697,000)	(48,002,000)	(25,793,000)
Proceeds from sales of product line and discontinued operations	4,300,000	---	10,518,000
Acquired businesses	(20,172,000)	(26,445,000)	(40,953,000)
Other, net	(972,000)	2,142,000	(585,000)

Net cash used in investing activities	(44,541,000)	(70,926,000)	(53,895,000)

CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchase of treasury shares	(725,000)	(5,580,000)	(4,223,000)
Proceeds from issuance of long-term debt	38,629,000	60,600,000	41,183,000
Payments of long-term debt	(10,107,000)	(1,062,000)	(24,004,000)
Increase (decrease) in short-term borrowings	3,214,000	65,000	(3,968,000)
Other, net	(472,000)	16,000	1,200,000

Net cash provided by financing activities	30,539,000	54,039,000	10,188,000

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,916,000	3,912,000	(2,432,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	19,326,000	15,414,000	17,846,000

CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 21,242,000	\$19,326,000	\$ 15,414,000
=====			

<FN>

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

</FN>

GRIFFON CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in Thousands)

For the Years Ended September 30, 1999, 1998 and 1997

	COMMON STOCK		CAPITAL IN EXCESS OF PAR VALUE		RETAINED EARNINGS		TREASURY SHARES		ACCUMULATED OTHER COMPREHENSIVE INCOME		DEFERRED COMPENSATION		COMPREHENSIVE INCOME	
	SHARES	PAR VALUE	PAR VALUE	EARNINGS	SHARES	COST	INCOME	SHARES	COST	INCOME	COMPENSATION	INCOME	INCOME	INCOME

Balances, September 30, 1996	29,253,848	\$7,313	\$32,764	\$135,508	334,896	\$ 2,851	\$ ---	---	---	---	\$ 179	---	---	\$ 33,164
Net income	---	---	---	33,164	---	---	---	---	---	---	---	---	---	-----
Amortization of deferred compensation	---	---	---	---	---	---	---	---	---	---	(658)	---	---	-----
ESOP purchase of Common Stock	---	---	---	---	---	---	---	---	---	---	---	---	---	-----
Conversion of Second Preferred Stock	1,573,679	394	---	---	---	---	---	---	---	---	---	---	---	-----
Purchase of treasury shares	---	---	---	---	313,969	4,223	---	---	---	---	---	---	---	-----
Exercise of stock options	443,627	111	2,094	---	---	---	---	---	---	---	---	---	---	-----
Retirement of treasury shares	---	---	(441)	---	(45,165)	(452)	---	---	---	---	---	---	---	-----
Other	7,676	2	147	(8)	---	---	---	---	---	---	100	---	---	-----

Balances, September 30, 1997	31,278,830	7,820	34,564	168,664	603,700	6,622	---	---	---	---	2,621	---	---	-----
Net income	---	---	---	29,321	---	---	---	---	---	---	---	---	---	\$ 29,321
Amortization of deferred compensation	---	---	---	---	---	---	---	---	---	---	(668)	---	---	-----
Purchase of treasury shares	---	---	---	---	562,700	5,580	---	---	---	---	---	---	---	-----
Exercise of stock options	426,786	107	4,427	---	---	---	---	---	---	---	---	---	---	-----
Retirement of treasury shares	(5,717)	(2)	(96)	---	(5,717)	(98)	---	---	---	---	---	---	---	-----
Other	6,463	2	1,158	---	126,319	1,719	---	---	---	---	100	---	---	-----

Balances, September 30, 1998	31,706,362	7,927	40,053	197,985	1,287,002	13,823	---	---	---	---	2,053	---	---	-----
Foreign currency translation adjustment	---	---	---	---	---	---	(631)	---	---	---	---	---	---	\$ (631)
Minimum pension liability adjustment	---	---	---	---	---	---	(443)	---	---	---	---	---	---	(443)
Net income	---	---	---	20,211	---	---	---	---	---	---	---	---	---	20,211

Comprehensive income	---	---	---	---	---	---	---	---	---	---	---	---	---	\$ 19,137
Amortization of deferred compensation	---	---	---	---	---	---	---	---	---	---	(634)	---	---	-----
Purchase of treasury shares	---	---	---	---	100,400	725	---	---	---	---	---	---	---	-----
Exercise of stock options	19,400	5	156	---	---	---	---	---	---	---	---	---	---	-----
Other	9,587	2	1,023	---	---	---	---	---	---	---	100	---	---	-----

Balances, September 30, 1999	31,735,349	\$7,934	\$41,232	\$218,196	1,387,402	\$14,548	\$(1,074)	---	---	---	\$1,519	---	---	-----
=====														

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Consolidation

The consolidated financial statements include the accounts of Griffon Corporation and all subsidiaries. All significant intercompany items have been eliminated in consolidation.

Use of estimates

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

Cash flows, investments and credit risk

The company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash payments for interest were approximately \$9,141,000, \$5,353,000 and \$3,325,000 in 1999, 1998 and 1997, respectively.

A substantial portion of the company's trade receivables are from customers of the garage doors and installation services segments whose financial condition is dependent on the construction and related retail sectors of the economy.

Comprehensive income

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", which became effective for fiscal 1999, establishes the rules for the reporting of comprehensive income and its components. Comprehensive income is presented in the consolidated statements of shareholders' equity and consists of net income and other items of comprehensive income such as minimum pension liability adjustments and foreign currency translation adjustments.

The financial statements of all foreign subsidiaries were prepared in their respective local currencies and translated into U.S. Dollars based on the current exchange rate at the end of the period for the balance sheet and average exchange rates for results of operations.

The components of accumulated other comprehensive income in 1999 were a foreign currency translation adjustment of \$631,000 and a minimum pension liability adjustment of \$443,000.

Accounting for long-term contracts

The company records sales and gross profits on its long-term contracts on a percentage-of-completion basis. The company determines sales and gross profits by (1) relating costs incurred to current estimates of total manufacturing costs of such contracts or (2) based upon a unit of shipment basis. General and administrative expenses are expensed as incurred. Revisions in estimated profits are made in the period in which the circumstances requiring the revision become known. Provisions are made currently for anticipated losses on uncompleted contracts.

"Contract costs and recognized income not yet billed" consists of recoverable costs and accrued profit on long-term contracts for which billings had not been presented to the customers because the amounts were not billable at the balance sheet date.

Inventories

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

or market, include material, labor and manufacturing overhead costs and are comprised of the following:

	SEPTEMBER 30,	
	1999	1998
	-----	-----
Finished goods	\$ 51,157,000	\$ 58,176,000
Work in process	23,405,000	27,011,000
Raw materials and supplies	19,857,000	19,330,000
	-----	-----
	\$ 94,419,000	\$104,517,000
	=====	=====

Property, plant and equipment

Depreciation of property, plant and equipment is provided primarily on a straight-line basis over the estimated useful lives of the assets.

Leasehold improvements are amortized over the life of the lease or life of the improvement, whichever is shorter

Property, plant and equipment consists of the following:

	SEPTEMBER 30,	
	1999	1998
	-----	-----
Land, buildings and building improvements	\$ 37,384,000	\$ 31,359,000
Machinery and equipment	157,122,000	153,066,000
Leasehold improvements	12,528,000	10,518,000
	-----	-----
	207,034,000	194,943,000
Less-Accumulated depreciation and Amortization	72,152,000	62,729,000
	-----	-----
	\$134,882,000	\$132,214,000
	=====	=====

Acquisitions and costs in excess of fair value of net assets of businesses acquired ("Goodwill")

In February 1999 the company acquired, in a cash transaction, an operation with annual sales of approximately \$50,000,000 that sells and installs a range of specialty products to the residential construction market. The purchase price of approximately \$20,000,000 was financed under the company's bank lines of credit.

In July 1998 the company acquired Bhme Verpackungsfolien GmbH & Co., a German plastic packaging manufacturer with annual sales of approximately \$35,000,000. The purchase price of approximately \$28,000,000 was substantially financed by borrowings under a subsidiary's bank credit agreement.

In July 1997 the company acquired Holmes-Hally Industries, a manufacturer and installer of residential garage doors and related hardware with annual sales of approximately \$80,000,000. The purchase price of approximately \$35,000,000 was financed through borrowings under existing lines of credit. Also acquired during 1997 in cash transactions were several other companies involved in the installation of building products.

The above acquisitions have been accounted for as purchases and resulted in an increase in goodwill of \$14,486,000 in 1999 and \$3,883,000 in 1998. Goodwill is being amortized on a straight-line basis over a period of forty years. At September 30, 1999 and 1998, accumulated amortization of goodwill was \$9,208,000

and \$7,505,000, respectively. The operating results of acquired businesses have been included in the consolidated statements of income since the dates of acquisition.

Income taxes

The provision for income taxes is comprised of the following:

	1999 -----	1998 -----	1997 -----
Current	\$11,870,000	\$18,260,000	\$16,927,000
Deferred	---	(1,039,000)	2,942,000
	-----	-----	-----
	\$11,870,000	\$17,221,000	\$19,869,000
	=====	=====	=====

The deferred taxes result primarily from differences in the reporting of depreciation, the allowance for doubtful accounts and other nondeductible accruals.

Cash payments for income taxes were \$16,938,000, \$19,670,000 and \$15,328,000 in 1999, 1998 and 1997, respectively.

The following table indicates the significant elements contributing to the difference between the U.S. Federal statutory tax rate and the company's effective tax rate:

	1999 ----	1998 ----	1997 ----
U.S. Federal statutory Tax rate	35.0%	35.0%	35.0%
State and foreign income taxes	4.4	5.6	3.8
Other	(2.4)	(3.6)	(1.3)
	----	----	----
Effective tax rate	37.0%	37.0%	37.5%
	=====	=====	=====

Research and development costs

Research and development costs not recoverable under contractual arrangements are charged to expense as incurred. Approximately \$8,900,000, \$7,700,000 and \$7,700,000 in 1999, 1998 and 1997, respectively, was incurred on such research and development.

Accrued liabilities

At September 30, 1999 and 1998, accrued liabilities included \$16,434,000 and \$17,960,000 respectively, for payroll and other employee benefits.

Earnings per share (EPS)

Basic EPS is calculated by dividing income available to common shareholders by the weighted average number of shares of Common Stock outstanding during the period. Income available to common shareholders (\$20,211,000 in 1999, \$29,321,000 in 1998 and \$33,157,000 in 1997) used in determining basic EPS reflects deductions of \$7,000 in 1997 for Preferred Stock dividends. The weighted average number of shares of Common Stock used in determining basic EPS was 30,374,000 in 1999, 30,553,000 in 1998 and 29,664,000 in 1997.

Diluted EPS is calculated by dividing income available to common shareholders, adjusted to add back dividends or interest on convertible securities, by the weighted average number of shares of Common Stock outstanding plus additional common shares that could be issued in connection with potentially dilutive securities. Income available to common shareholders used in determining diluted EPS was \$20,211,000 in 1999, \$29,321,000 in 1998 and \$33,164,000 in 1997. The weighted average number of shares of Common Stock used in determining diluted EPS was 30,551,000 in 1999, 31,316,000 in 1998 and 31,231,000 in 1997 and reflects additional shares in connection with convertible preferred stock (642,000 shares in 1997) and stock option and other stock-based compensation plans (177,000 shares in 1999, 763,000 shares in 1998 and 925,000 shares in 1997). Options to purchase approximately 3,088,000 and 1,000,000 shares were not included in the computation of diluted earnings per share for the years 1999 and 1998, respectively, because the effects would be anti-dilutive.

Start-up costs

In 1998, the American Institute of Certified Public Accountants issued Statement of Position No. 98-5 (SOP 98-5), "Reporting on the Costs of Start-Up Activities". SOP 98-5, which becomes effective for the fiscal year ended September 30, 2000, sets accounting standards in connection with accounting and financial reporting related to costs of start-up activities. SOP 98-5 requires that, at the date of adoption, costs of start-up activities previously capitalized be written-off as a cumulative effect of a change in accounting principle, and further requires that such costs incurred subsequent to adoption be expensed. Consequently, in the first quarter of fiscal 2000, the company's 60%-owned joint venture will be required to write-off, as the cumulative effect of a change in accounting principle, costs that were previously capitalized in connection with the start-up of the venture and the implementation of additional production capacity. The cumulative effect, after taxes, of adopting SOP 98-5 will be approximately \$5,300,000; the effect on net income, after the minority interest's share of the cumulative effect, will be approximately \$3,200,000.

Restructuring charge and sale of product line

In March 1999 the company recorded a restructuring charge aggregating \$3,500,000 in connection with the closing of a garage door manufacturing facility in order to streamline operations and improve efficiency. The charge consists of the following:

Non-cash asset write-downs	\$2,150,000
Employee severance and related benefits	900,000
Lease and related costs	450,000

Total restructuring charge	\$3,500,000
	=====

Since the last half of 1998 and continuing into 1999 the company has consolidated or closed several garage door manufacturing or distribution facilities. Also, in March 1999 the company completed the sale, at approximately book value, of a peripheral Oproduct line, which was operating at a loss. As a result of these actions, facilities employed in the garage doors operation were reduced by approximately 400,000 square feet and the workforce was reduced by 244 employees, including approximately 100,000 square feet and 100 manufacturing employees in connection with the March 1999 plant closure. The majority of cash expenditures for restructuring costs are expected to be paid within one year; through September 30, 1999 approximately \$435,000 was paid for employee severance and related benefits and \$190,000 was paid for lease and related costs.

2. LONG-TERM DEBT:

During 1999 the company increased the amount of its revolving credit facility from \$80,000,000 to \$120,000,000. Revolving credit is available through

2002, after which outstanding borrowings may be converted into a four-year term loan. Borrowings bear interest at rates (7.0% as of September 30, 1999) based upon LIBOR or at the prime rate and are secured by the capital stock of certain of the company's subsidiaries. As of September 30, 1999 \$80,000,000 was outstanding under this agreement.

In April 1998 the company's German joint venture entered into a credit agreement with a bank to finance new production lines. Borrowings under the agreement are payable in installments through 2001, and bear interest at rates (4.0% as of September 30, 1999) based upon LIBOR. As of September 30, 1999 approximately \$18,491,000 was outstanding under this agreement.

In connection with an acquisition in July 1998 (see Note 1), a subsidiary of the company entered into a credit agreement with a bank for borrowings of approximately \$20,000,000, payable in installments through 2005. Outstanding borrowings under the agreement bear interest at rates (4.1% as of September 30, 1999) based upon LIBOR. As of September 30, 1999 approximately \$19,678,000 was outstanding under this agreement.

The balance of the company's long-term debt outstanding at September 30, 1999 relates primarily to real estate mortgages and industrial revenue bond financing, with interest rates ranging from 4.9% to 8.9% and maturities through 2014.

The following are the maturities of long-term debt outstanding at September 30, 1999 for each of the succeeding five years:

2000	\$11,836,000
2001	11,464,000
2002	16,871,000
2003	18,437,000
2004	24,331,000

3. SHAREHOLDERS' EQUITY:

During 1997 the company called for redemption its Second Preferred Stock at the redemption price of \$10.00 per share plus accrued and unpaid dividends. Holders of 1,524,429 shares of Second Preferred Stock converted their shares into an equal number of shares of Common Stock, and 45,165 shares were redeemed for cash.

The company has stock option plans under which options for an aggregate of 6,250,000 shares of Common Stock may be granted. As of September 30, 1999 options for 1,155,000 shares remain available for future grants. The plans provide for the granting of options at an exercise price of not less than 100% of the fair market value per share at date of grant. Options generally expire ten years after date of grant and become exercisable in installments as determined by the Board of Directors. Transactions under the plans are as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
Outstanding at September 30, 1996	2,744,000	\$ 7.30
Granted	776,500	\$13.44
Exercised	(217,214)	\$ 7.36
Terminated	(3,250)	\$ 8.04

Outstanding at September 30, 1997	3,300,036	\$ 8.74
Granted	2,061,500	\$13.35
Exercised	(426,786)	\$ 4.06

Terminated	(43,250)	\$13.10

Outstanding at September 30, 1998	4,891,500	\$11.05
Granted	1,127,500	\$ 8.38
Exercised	(19,400)	\$ 8.29
Terminated	(815,100)	\$ 7.97

Outstanding at September 30, 1999	5,184,500	\$10.97
	=====	

At September 30, 1999 option groups outstanding and exercisable are as follows:

Outstanding Options			
Range of Exercise Price	Number of Options	Weighted Average Remaining Life	Weighted Average Exercise Price
-----	-----	-----	-----
\$10.875 to \$15.75	2,782,500	8.3 years	\$13.26
\$ 6.625 to \$10.00	2,402,000	7.2	8.31

Exercisable Options		
Range of Exercise Price	Number of Options	Weighted Average Exercise Price
-----	-----	-----
\$11.125 to \$15.75	1,710,250	\$13.38
\$ 6.625 to \$9.375	1,407,000	8.46

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", became effective for the fiscal year beginning October 1, 1996, and permits an entity to continue to account for employee stock-based compensation under APB Opinion No. 25, "Accounting for Stock Issued to Employees", or adopt a fair value based method of accounting for such compensation. The company has elected to continue to account for stock-based compensation under Opinion No. 25. Accordingly, no compensation expense has been recognized in connection with options granted. Had compensation expense for options granted been determined based on the fair value at the date of grant in accordance with Statement No. 123, the company's net income and earnings per share would have been as follows:

	1999	1998	1997
	-----	-----	-----
Net income			
As reported	\$20,211,000	\$29,321,000	\$33,164,000
Pro forma	15,071,000	24,902,000	31,099,000
Earnings per share			
As reported -			
Basic	\$.67	\$.96	\$1.12
Diluted	.66	.94	1.06
Pro forma -			
Basic	\$.50	\$.82	\$1.05
Diluted	.49	.80	1.00

The fair value of options granted is estimated on the date of grant using the

Black-Scholes option pricing model. The weighted average fair values of options granted in fiscal 1999, 1998 and 1997 were \$3.89, \$6.52 and \$6.96, respectively, based upon the following weighted average assumptions: expected volatility (.321 in 1999, .350 in 1998 and .372 in 1997), risk-free interest rate (5.67% in 1999, 5.67% in 1998 and 6.40% in 1997), expected life (7 years in 1999, 1998 and 1997), and expected dividend yield (0% in 1999, 1998 and 1997).

The company has an Outside Director Stock Award Plan (the "Outside Director Plan"), which was approved by the shareholders in 1994, under which 300,000 shares may be issued to non-employee directors. Annually, each eligible director is awarded shares of the company's Common Stock having a value of \$10,000 which vests over a three-year period. For shares issued under the Outside Director Plan, the fair market value of the shares at the date of issuance will be amortized to compensation expense over the vesting period. The related deferred compensation has been reflected as a reduction of shareholders' equity. In 1999, 1998 and 1997, 9,710, 6,660 and 7,690 shares, respectively, were issued under the Outside Director Plan.

As of September 30, 1999, a total of approximately 7,100,000 shares of the company's authorized Common Stock were reserved for issuance primarily in connection with stock option plans.

The company has a shareholder rights plan which provides for one right to be attached to each share of Common Stock. The rights are currently not exercisable or transferable apart from the Common Stock, and have no voting power. Under certain circumstances, each right entitles the holder to purchase, for \$34, one one-thousandth of a share of a new series of participating preferred stock, which is substantially equivalent to one share of Common Stock. These rights would become exercisable if a person or group acquires 10% or more of the company's Common Stock or announces a tender offer which would increase the person's or group's beneficial ownership to 10% or more of the company's Common Stock, subject to certain exceptions. After a person or group acquires 10% or more of the company's Common Stock, each right (other than those held by the acquiring party) will entitle the holder to purchase Common Stock having a market price of two times the exercise price. If the company is acquired in a merger or other business combination, each exercisable right entitles the holder to purchase common stock of the acquiring company or an affiliate having a market price of two times the exercise price of the right. In certain events the Board of Directors may exchange each right (other than those held by an acquiring party) for one share of the company's Common Stock or one one-thousandth of a share of a new series of participating preferred stock. The rights expire on May 9, 2006 and can be redeemed at \$.01 per right at any time prior to becoming exercisable.

4. COMMITMENTS AND CONTINGENCIES:

The company and its subsidiaries rent real property and equipment under operating leases expiring at various dates. Most of the real property leases have escalation clauses related to increases in real property taxes.

Future minimum payments under noncancellable operating leases consisted of the following at September 30, 1999:

2000	\$ 28,300,000
2001	18,800,000
2002	11,000,000
2003	7,800,000
2004	6,100,000
Later years	7,100,000

Rent expense for all operating leases, net of subleases, totaled approximately \$27,400,000, \$24,500,000 and \$19,800,000 in 1999, 1998 and 1997, respectively.

The company is subject to various laws and regulations concerning the

environment and is currently participating in proceedings under these laws involving sites formerly owned or occupied by the company. These proceedings are at a preliminary stage, and it is impossible to estimate with any certainty the amount of the liability, if any, of the company, or the total cost of remediation and the timing and extent of remedial actions which may ultimately be required by governmental authorities. However, management believes, based on facts presently known to it, that the outcome of such proceedings will not have a material adverse effect on the company's consolidated financial position or results of operations.

5. QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended September 30, 1999 and 1998 are as follows:

	QUARTERS ENDED			
	SEPTEMBER 30, 1999	JUNE 30, 1999	MARCH 31, 1999	DECEMBER 31, 1998
Net sales	\$275,367,000	\$262,413,000	\$236,360,000	\$258,557,000
Gross profit	72,273,000	64,468,000	50,325,000	62,126,000
Net income (loss)	9,703,000	5,817,000	(2,461,000)	7,152,000
Earnings (loss) per share of common stock:				
Basic	\$.32	\$.19	\$ (.08)	\$.24
Diluted	\$.32	\$.19	\$ (.08)	\$.23

	QUARTERS ENDED			
	SEPTEMBER 30, 1998	JUNE 30, 1998	MARCH 31, 1998	DECEMBER 31, 1997
Net sales	\$256,577,000	\$229,407,000	\$199,859,000	\$229,031,000
Gross profit	65,847,000	57,113,000	48,761,000	57,923,000
Net income	10,935,000	6,753,000	3,118,000	8,515,000
Earnings per share of common stock:				
Basic	\$.36	\$.22	\$.10	\$.28
Diluted	\$.35	\$.22	\$.10	\$.27

<FN>

Earnings per share are computed independently for each of the quarters presented, on the basis described in Note 1. The sum of the quarters may not be equal to the full year earnings per share amounts. Net loss for the quarter ended March 31, 1999 includes a \$3,500,000 pre-tax restructuring charge (see Note 1).

</FN>

6. BUSINESS SEGMENTS:

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information", which became effective for fiscal 1999, establishes new standards for reporting information about operating segments, and the restatement of such information for prior periods. The following information is presented in accordance with the requirements of this Statement.

The company's reportable business segments are as follows - Garage Doors (manufacture and sale of residential and commercial/industrial garage doors, and related products); Installation Services (sale and installation of building products primarily for new construction, such as garage doors, garage door openers, manufactured fireplaces and surrounds, and cabinets); Electronic

Information and Communication Systems (communication and information systems for government and commercial markets); and Specialty Plastic Films (manufacture and sale of plastic films and film laminates for baby diapers, adult incontinence care products, disposable surgical and patient care products and plastic packaging). The company's reportable segments are distinguished from each other by types of products and services offered, classes of customers, production and distribution methods, and separate management.

The company evaluates performance and allocates resources based on operating results before interest income or expense, income taxes and certain nonrecurring items of income or expense. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intersegment sales are based on prices negotiated between the segments, and intersegment sales and profits are not eliminated in evaluating performance of a segment.

Information on the company's business segments is as follows:

	Garage Doors -----	Installation Services -----	Electronic Information and Communication Systems -----	Specialty Plastic Films -----	Totals -----
Revenues from external customers -					
1999	\$418,395,000	\$239,737,000	\$177,091,000	\$197,474,000	\$1,032,697,000
1998	414,588,000	175,919,000	156,864,000	167,503,000	914,874,000
1997	366,922,000	112,289,000	127,298,000	163,718,000	770,227,000
Intersegment revenues -					
1999	\$ 29,318,000	\$ 932,000	\$ ---	\$ ---	\$ 30,250,000
1998	29,419,000	1,197,000	---	---	30,616,000
1997	15,017,000	634,000	---	---	15,651,000
Segment profit -					
1999	\$ 27,933,000	\$ 6,518,000	\$ 15,616,000	\$ 550,000	\$ 50,617,000
1998	32,107,000	4,611,000	13,665,000	7,446,000	57,829,000
1997	37,879,000	3,816,000	12,139,000	8,660,000	62,494,000
Segment assets -					
1999	\$158,747,000	\$ 89,231,000	\$124,766,000	\$124,760,000	\$ 497,504,000
1998	159,864,000	62,488,000	111,033,000	127,736,000	461,121,000
1997	144,857,000	54,308,000	100,118,000	63,686,000	362,969,000
Segment capital expenditures -					
1999	\$ 15,804,000	\$ 797,000	\$ 2,728,000	\$ 8,254,000	\$ 27,583,000
1998	13,501,000	1,773,000	3,889,000	28,765,000	47,928,000
1997	8,118,000	591,000	3,817,000	13,247,000	25,773,000
Depreciation and amortization expense -					
1999	\$ 6,562,000	\$ 1,884,000	\$ 3,047,000	\$ 11,000,000	\$ 22,493,000
1998	6,170,000	1,407,000	2,698,000	5,466,000	15,741,000
1997	5,035,000	951,000	2,222,000	2,680,000	10,888,000

Following are reconciliations of segment profit, assets, capital expenditures, and depreciation and amortization expense to amounts reported in the consolidated financial statements:

	1999 -----	1998 -----	1997 -----
Profit -			
Profit for all segments	\$ 50,617,000	\$ 57,829,000	\$ 62,494,000
Unallocated amounts	(8,029,000)	(7,980,000)	(7,363,000)
Restructuring charge (Note 1)	(3,500,000)	---	---
Interest expense, net	(7,007,000)	(3,307,000)	(2,098,000)
Income before income taxes	\$ 32,081,000	\$ 46,542,000	\$ 53,033,000
Assets -			
Total for all segments	\$497,504,000	\$461,121,000	\$362,969,000
Unallocated amounts	38,219,000	33,639,000	22,899,000
Intersegment eliminations	(2,283,000)	(6,822,000)	(1,109,000)
Total consolidated assets	\$533,440,000	\$487,938,000	\$384,759,000

Capital Expenditures -			
Total for all segments	\$ 27,583,000	\$ 47,928,000	\$ 25,773,000
Unallocated amounts	114,000	74,000	20,000
	-----	-----	-----
Total consolidated capital expenditures	\$ 27,697,000	\$ 48,002,000	\$ 25,793,000
	=====	=====	=====
Depreciation and amortization expense -			
Total for all segments	\$ 22,493,000	\$ 15,741,000	\$ 10,888,000
Unallocated amounts	520,000	514,000	564,000
	-----	-----	-----
Total consolidated depreciation and amortization	\$ 23,013,000	\$ 16,255,000	\$ 11,452,000
	=====	=====	=====

Revenues, based on the customers' locations, and property, plant and equipment attributed to the United States and all other countries are as follows:

	1999	1998	1997
	-----	-----	-----
Revenues by geographic area -			
United States	\$ 834,057,000	\$760,009,000	\$663,064,000
Germany	64,666,000	37,865,000	37,119,000
United Kingdom	44,697,000	37,756,000	23,066,000
All other countries	89,277,000	79,244,000	46,978,000
	-----	-----	-----
Consolidated net sales	\$1,032,697,000	\$914,874,000	\$770,227,000
	=====	=====	=====
Property, plant and equipment by geographic area -			
United States	\$ 90,874,000	\$ 79,979,000	\$ 68,530,000
Germany	44,008,000	52,235,000	8,550,000
	-----	-----	-----
Consolidated property, plant and equipment	\$ 134,882,000	\$132,214,000	\$ 77,080,000
	=====	=====	=====

Sales to a customer of the specialty plastic films segment were approximately \$115,000,000 in 1999, \$96,000,000 in 1998 and \$82,000,000 in 1997. Sales to the United States government and its agencies, either as a prime contractor or subcontractor, aggregated approximately \$86,000,000 in 1999, \$79,000,000 in 1998 and \$65,000,000 in 1997, all of which are included in the electronic information and communication systems segment. Unallocated amounts include general corporate expenses and assets, which consist mainly of cash, investments, and other assets not attributable to any reportable segment.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

PART III

The information required by Part III is incorporated by reference to the company's definitive proxy statement in connection with its Annual Meeting of Stockholders scheduled to be held in February, 2000, to be filed with the Securities and Exchange Commission within 120 days following the end of the company's fiscal year ended September 30, 1999. Information relating to the officers of the Registrant appears under Item 1 of this report.

PART IV

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

The following consolidated financial statements of Griffon Corporation and subsidiaries are included in Item 8:

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Schedules other than those listed are omitted because they are not applicable or because the information required is included in the consolidated financial statements.

(b) Reports on Form 8-K:

None

(c) Exhibits:

Exhibit No.

- 3.1 Restated Certificate of Incorporation (Exhibit 3.1 of Annual Report on Form 10-K for the year ended September 30, 1995)
- 3.2 By-laws as amended (Exhibit 3 of Current Report on Form 8-K dated November 8, 1994)
- 4.1 Rights Agreement dated as of May 9, 1996 between the Registrant and American Stock Transfer Company (Exhibit 1.1 of Current Report on Form 8-K dated May 9, 1996)
- 4.2 Loan Agreement dated as of August 31, 1999 between the Registrant and lending institutions
- 10.1 Employment Agreement dated as of October 1, 1998 between the Registrant and Harvey R. Blau (Exhibit 10.1 of Current Report on Form 8-K dated November 5, 1998)
- 10.2 Employment Agreement dated as of October 1, 1998 between the Registrant and Robert Balemian (Exhibit 10.2 of Current Report on Form 8-K dated November 5, 1998)
- 10.3 Form of Trust Agreement between the Registrant and U.S. Trust Company of California, N.A., as Trustee, relating to the company's Employee Stock Ownership Plan (Exhibit 10.3 of Annual Report on Form 10-K for the year ended September 30, 1994)

- 10.4 1992 Non-Qualified Stock Option Plan (Exhibit 10.10 of Annual Report on Form 10-K for the year ended September 30, 1993)
- 10.5 Non-Qualified Stock Option Plan (Exhibit 10.12 of Annual Report on Form 10K for the year ended September 30, 1998)
- 10.6 Form of Indemnification Agreement between the Registrant and its officers and directors (Exhibit 28 to Current Report on form 8-K dated May 3, 1990)
- 10.7 Outside Director Stock Award Plan (Exhibit 4 of Form S-8 Registration Statement No. 33-52319)
- 10.8 1995 Stock Option Plan (Exhibit 4 of Form S-8 Registration Statement No. 33-57683)
- 10.9 1997 Stock Option Plan (Exhibit 4.2 of Form S-8 Registration Statement No. 333-21503)
- 10.10 1998 Stock Option Plan (Exhibit 4.1 of Form S-8 Registration Statement No. 333-62319)
- 10.11 Senior Management Incentive Compensation Plan (Exhibit 4.2 of Form S-8 Registration Statement No. 333-62319)
- 10.12 1998 Employee and Director Stock Option Plan, as amended (Exhibit 4.3 of Form S-8 Registration Statement No. 333-62319 and Exhibit 4.1 of Form S-8 Registration Statement No. 333-84409)
- 21 The following lists the company's significant subsidiaries all of which are wholly-owned by the company. The names of certain subsidiaries which do not, when considered in the aggregate, constitute a significant subsidiary, have been omitted.

Name of Subsidiary -----	State of Incorporation -----
Clopay Corporation	Delaware
Telephonics Corporation	Delaware

23* Consent of Arthur Andersen LLP

27* Financial Data Schedule (for electronic submission only)

* Filed herewith. All other exhibits are incorporated herein by reference to the exhibit indicated in the parenthetical references.

The following undertakings are incorporated into the company's Registration Statements on Form S-8 (Registration Nos. 33-39090, 33-62966, 33-52319, 33-57683, 333-21503, 333-62319 and 333-84409).

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any fact or events arising after the effective date of the registration statement (or the most recent post-effective

amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(i) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 20th day of December, 1999.

GRIFFON CORPORATION

By: /s/ Harvey R. Blau

Harvey R. Blau, Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on December 20, 1999 by the following persons in the capacities indicated:

/s/ Harvey R. Blau
Harvey R. Blau

Chairman of the Board
(Principal Executive Officer)

/s/ Robert Balemian Robert Balemian	President and Director (Principal Operating and Financial Officer)
/s/ Patrick L. Alesia Patrick L. Alesia	Vice President and Treasurer (Chief Accounting Officer)
/s/ Henry A. Alpert Henry A. Alpert	Director
/s/ Bertrand M. Bell Bertrand M. Bell	Director
----- Abraham M. Buchman	Director
/s/ Clarence A. Hill, Jr. Clarence A. Hill, Jr.	Director
/s/ Ronald J. Kramer Ronald J. Kramer	Director
/s/ James W. Stansberry James W. Stansberry	Director
/s/ Martin S. Sussman Martin S. Sussman	Director
/s/ William H. Waldorf William H. Waldorf	Director
/s/ Joseph J. Whalen Joseph J. Whalen	Director
----- Lester L. Wolff	Director

SCHEDULE II

GRIFFON CORPORATION AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

Description	Balance at Beginning of Period	Additions		Deductions		Balance at End of Period
		Charged to Profit and Loss	Charged to Other Accounts	Accounts Written Off	Other	
FOR THE YEAR ENDED SEPTEMBER 30, 1999:						
Allowance for doubtful accounts	\$ 7,476,000	\$ 2,780,000	\$ 154,000	\$ 2,342,000	\$ ---	\$ 8,068,000
	=====	=====	=====	=====	=====	=====
FOR THE YEAR ENDED SEPTEMBER 30, 1998:						
Allowance for doubtful accounts	\$ 6,627,000	\$ 1,907,000	\$ 243,000	\$ 1,301,000	\$ ---	\$ 7,476,000
	=====	=====	=====	=====	=====	=====
FOR THE YEAR ENDED SEPTEMBER 30, 1997:						
Allowance for doubtful accounts	\$ 4,519,000	\$ 1,312,000	\$ 1,719,000 (1)	\$ 923,000	\$ ---	\$ 6,627,000
	=====	=====	=====	=====	=====	=====

<FN>
(1) Principally related to acquired businesses.
</FN>

LOAN AGREEMENT

by and among

GRIFFON CORPORATION,

THE LENDERS PARTY HERETO,

FLEET BANK, NATIONAL ASSOCIATION,

AS ADMINISTRATIVE AGENT

and

THE CHASE MANHATTAN BANK, AS DOCUMENTATION AGENT

Dated as of August 31, 1999

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D.	Permitted Security Interests, Liens and Encumbrances
E.	Judgements, Actions, Proceedings
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G.	Burdensome Documents
H.	Name Changes, Mergers, Acquisitions
I.	Labor Disputes; Collective Bargaining Agreements; Employee

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- L. Form of Assignment and Acceptance

SCHEDULE

- I. Rollover Eurodollar Loans

LOAN AGREEMENT

THIS LOAN AGREEMENT, made this 31st day of August, 1999 (this "Agreement"), is by and among GRIFFON CORPORATION, a Delaware corporation (the "Borrower"), the several banks and other parties from time to time that are permitted parties hereto (individually, a "Bank" and, collectively, the "Banks"), FLEET BANK, NATIONAL ASSOCIATION, a national banking association, in its capacity as Administrative Agent (as hereinafter defined) and THE CHASE MANHATTAN BANK, a New York banking corporation, in its capacity as Documentation Agent (as hereinafter defined).

W I T N E S S E T H:
- - - - -

WHEREAS, the Borrower wishes to obtain loans from the Banks in the aggregate principal sum of up to One Hundred Twenty Million Dollars (\$120,000,000), and the Banks are willing to make such loans to the Borrower in an aggregate principal amount of up to such sum on the terms and conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto agree as follows:

Article 1 Definitions.

As used in this Agreement, in addition to the other terms defined herein, the following terms shall have the following meanings:

"Additional Costs" is defined in subsection 2.18(b) hereof.

"Adjusted Net Income" means, for any period, the aggregate income (or loss) for such period which shall be an amount equal to net revenues and other proper items of income, plus extraordinary and unusual non-cash losses for such period, less any and all items that are treated as expenses under generally accepted accounting principles, less, without duplication, Federal, state and local income taxes and income taxes expensed for taxes payable to jurisdictions outside of the United States, and less extraordinary and unusual non-cash gains for such period, as determined in accordance with generally accepted accounting principles.

"Administrative Agent" means Fleet Bank, National Association, a national banking association, in its capacity as administrative and collateral agent pursuant to the terms and conditions of this Agreement, and any successor thereto.

"Affected Loans" is defined in Section 2.21 hereof.

"Affected Type" is defined in Section 2.21 hereof.

"Affiliate" means, as to any Person, any other Person that directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), provided that, in any event: (i) any Person that owns directly or indirectly 10% or more of the

securities having ordinary voting power for the election of directors or other governing body of a corporation or 10% or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person; and (ii) each director and officer of the Borrower shall be deemed to be an Affiliate of the Borrower.

"Agent" means the Administrative Agent or the Documentation Agent.

"Agents" means the Administrative Agent and the Documentation Agent collectively.

"Aggregate Revolving Commitment" means, at any time, the sum at such time of the Commitments of all the Banks.

"Aggregate Revolving Exposure" means, at any time, the sum at such time of the outstanding principal balance of the Loans of all the Banks.

"Applicable Lending office" means, with respect to each Bank, with respect to each type of Loan, the Lending Office as designated for such type of Loan below its name on the signature pages hereof or such other office of such Bank or of an affiliate of such Bank as such Bank may from time to time specify to the Borrower as the office at which its Loans of such type are to be made and maintained.

"Applicable Margin" means as at any date of determination thereof, (i) if the Funded Debt to Cash Flow Ratio is less than 1.50 to 1.00, then with respect to any Prime Rate Loans, 0%, and with respect to any Eurodollar Loans, 1.00%; and (ii) if the Funded Debt to Cash Flow Ratio is equal to or greater than 1.50 to 1.00, then with respect to any Prime Rate Loans, 0%, and with respect to any Eurodollar Loans, 1.50%. The determination of the applicable percentage set forth above shall be made on a quarterly basis based on an examination of the financial statements of the Borrower delivered pursuant to and in compliance with Section 5.1 or Section 5.2 hereof; provided, however, that the applicable percentages as of the date of this Agreement shall be as set forth in clause (ii) above until adjusted pursuant to this definition; and provided further, that upon the occurrence and during the continuance of a Default or an Event of Default (other than a Default or Event of Default under Section 8.1 hereof), the Applicable Margin shall be 1% in excess of the applicable percentages set forth in clause (ii) above.

The determination of the applicable percentage set forth above shall be made on a quarterly basis based on an examination of the financial statements of the Borrower delivered pursuant to and in compliance with Section 5.1 or Section 5.2 hereof. Each determination of the Applicable Margin shall be effective as of (a) January 15 of each year with respect to financial statements to be delivered pursuant to Section 5.1 hereof and (b) the first day of the calendar quarter following the date on which the financial statements on which such determination was based were to be delivered pursuant to Section 5.2 hereof. In the event that financial statements for the four full fiscal quarters most recently completed prior to such date of determination either: (i) have not been delivered to the Banks in compliance with Section 5.1 or 5.2 hereof, or (ii) if delivered, do not comply in form or substance with Section 5.1 or 5.2 hereof (in the sole judgment of the Banks), then the Banks may determine, in their reasonable judgment, the ratio referred to above that would have been in effect as at such date, and consequently, the Applicable Margin in effect for the period commencing on such date.

"Assessment Rate" means, at any time, the rate (rounded upwards, if necessary, to the nearest 1/100 of 1%) then charged by the Federal Deposit Insurance Corporation (or any successor) to the applicable Principal Office for deposit insurance for Dollar time deposits with such Principal Office as determined by such Principal Office.

"Assignment and Acceptance" - an agreement in the form of Exhibit L hereto.

"Bohme" means Bohme-Clopay Verpackungsfolien GmbH, a wholly-owned subsidiary of Clopay Plastic Products and successor in interest to Bohme

Verwaltungs-Gesellschaft mbH and Bohme GmbH & Co. KG Verpackungsfolien.

"Borrowing Date" means any Business Day on which the Banks make Loans.

"Borrowing Notice" is defined in Section 2.2 hereof.

"Business Day" means, any day other than Saturday, Sunday or any other day on which commercial banks in New York City are authorized or required to close under the laws of the State of New York.

"Capital Expenditures" means for any period, the sum of (a) expenditures for any fixed assets or improvements and replacements, substitutions or additions thereto which would be treated as capital expenditures in accordance with generally accepted accounting principles and (b) the portion of all payments with respect to each Capitalized Lease which are required to be capitalized on the balance sheet of the applicable lessee in accordance with generally accepted accounting principles.

"Capitalized Lease" means, any lease the obligations to pay rent or other amounts under which constitute Capitalized Lease Obligations.

"Capitalized Lease Obligations" means, as to any Person, the obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal property which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under generally accepted accounting principles and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with generally accepted accounting principles.

"Cash" means, as to any Person, such Person's cash and cash equivalents, as defined in accordance with generally accepted accounting principles consistently applied.

"Change of Control" means (a) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 30% or more of the outstanding shares of voting stock of the Borrower, or (b) during any period of 25 consecutive calendar months, commencing on the date of this Agreement, the ceasing of those individuals (the "Continuing Directors") who (i) were directors of the Borrower on the first day of each such period or (ii) subsequently became directors of the Borrower and whose initial election or initial nomination for election subsequent to that date was approved by a majority of the Continuing Directors then on the board of directors of the Borrower, to constitute a majority of the board of directors of the Borrower.

"Chase" means The Chase Manhattan Bank, a New York banking corporation, in its capacity as a Bank hereunder.

"Clopay" means Clopay Corporation, a Delaware corporation.

"Clopay Plastic Products" means Clopay Plastic Products Company, Inc., a Delaware Corporation.

"Clopay Service" means Clopay Service Company, Inc., a Delaware Corporation.

"Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.

"Commitment" means, as to each Bank, the amount set forth opposite such Bank's name on the signature pages hereof under the caption "Commitment" as such amount is subject to reduction in accordance with the terms hereof, which amount includes, with respect to Chase and Fleet, the principal amount of all Rollover Eurodollar Loans.

"Commitment Fee" is defined in subsection 2.7(a) hereof.

"Commitment Termination Date" means October 1, 2002.

"Compliance Certificate" means a certificate executed by the president or chief financial officer of the Borrower to the effect that: (i) as of the effective date of the certificate, no Default or Event of Default under this Agreement exists or would exist after giving effect to the action intended to be taken by the Borrower as described in such certificate, including, without limitation, that the covenants set forth in Section 6.9 hereof would not be breached after giving effect to such action, together with a calculation in reasonable detail, and in form and substance satisfactory to the Administrative Agent and the Documentation Agent, of such compliance, and (ii) the representations and warranties contained in Article 3 hereof are true and with the same effect as though such representations and warranties were made on the date of such certificate, except for changes in the ordinary course of business none of which, either singly or in the aggregate, have had a Material Adverse Effect.

"Contingent Obligation" as applied to any Person, means any direct or indirect liability, contingent or otherwise, of that Person, without duplication: (a) with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto; (b) with respect to any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings; (c) under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement designed to protect that Person against fluctuations in interest rates; or (d) under any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect that Person against fluctuations in currency values. Contingent Obligations shall include (i) the direct or indirect guaranty, endorsement (other than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of another, (ii) the obligation to make take-or-pay or similar payments if required regardless of nonperformance by any other party or parties to an agreement, and (iii) any liability of such Person for the obligations of another through any agreement to purchase, repurchase or otherwise acquire such obligation or any property constituting security therefor, to provide funds for the payment or discharge of such obligation or to maintain the solvency, financial condition or any balance sheet item or level of income of another. The amount of any Contingent Obligation shall be equal to the amount of the obligation so guaranteed or otherwise supported or, if not a fixed and determined amount, the maximum amount so guaranteed.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b), 414(c) or 414(m) of the Code and Section 4001(a)(14) of ERISA.

"Credit Party" means the Administrative Agent or a Bank, as the case may be.

"Current Assets" means current assets as determined in accordance with generally accepted accounting principles, consistently applied; provided, however, that any of such assets that are subject to a pledge, lien or security interest held by any Person to secure payment of any Indebtedness that is not included in Current Liabilities shall be excluded from Current Assets to the extent of such Indebtedness.

"Current Liabilities" means current liabilities, as determined in accordance with generally accepted accounting principles, consistently applied, and shall include, as of the date of determination thereof: (i) all Indebtedness payable on demand or maturing within one year after such date without any option on the part of the obligor to extend or renew beyond such year, (ii) final maturities, installments and prepayments of Indebtedness required to be made

within one year after such date, (iii) the unpaid principal balance of the Notes due within one year after such date, and (iv) all other items (including taxes accrued as estimated and reserves for deferred income taxes) that in accordance with generally accepted accounting principles, would be included on a balance sheet as current liabilities.

"Debt Instrument" is defined in subsection 8.4(a) hereof.

"Default" means an event which with notice or lapse of time, or both, would constitute an Event of Default.

"Defined Contribution Plan" means a plan which is not covered by Title IV of ERISA or subject to the minimum funding standards of Section 412 of the Code and which provides for an individual account for each participant and for benefits based solely on the amount contributed to the participant's account, and any income, expenses, gains and losses, and any forfeitures of accounts of other participants which may be allocated to such participant's account.

"Derivative Protection Arrangement" means (i) any interest rate swap, cap or collar arrangement or any other derivative product customarily offered by banks or other financial institutions to their customers in order to reduce the exposure of such customers to interest rate fluctuations, as the same may be amended, supplemented or otherwise modified from time to time or (ii) any foreign exchange contract, currency swap agreement or other similar agreement or arrangement customarily offered by banks or other financial institutions to their customers designed to protect such customers against fluctuations in currency values.

"Documentation Agent" means The Chase Manhattan Bank, a New York banking corporation, in its capacity as Documentation Agent pursuant to the terms and conditions of this Agreement, and any successor thereto.

"Dollars" and "\$" means lawful currency of the United States of America.

"Domestic Debt Service Coverage Ratio" means, for any period, the ratio of (a) EBITDA of the Domestic Loan Parties on a consolidated basis for the most recently completed four fiscal quarters of the Domestic Loan Parties minus, Federal, state and local income taxes expensed with respect to the most recently completed four fiscal quarters minus, Unfunded Capital Expenditures of the Domestic Loan Parties on a consolidated basis for the most recently completed four fiscal quarters to (b) the current portion of Long-term Indebtedness for borrowed money of the Domestic Loan Parties on a consolidated basis outstanding as of the last day of such period plus, Interest Expense of the Domestic Loan Parties on a consolidated basis for the most recently completed four fiscal quarters, all determined in accordance with generally accepted accounting principles consistently applied.

"Domestic Funded Debt Coverage Ratio" means, for any period, the ratio of (a) Long-term Indebtedness for borrowed money of the Domestic Loan Parties on a consolidated basis plus, without duplication, any Indebtedness for money borrowed of the Domestic Loan Parties on a consolidated basis which will be due and payable during the immediately succeeding twelve month period plus, the Domestic Guarantee Amount, in each case outstanding as of the last day of such period, to (b) EBITDA of the Domestic Loan Parties on a consolidated basis for the most recently completed four fiscal quarters minus Unfunded Capital Expenditures of the Domestic Loan Parties on a consolidated basis for the most recently completed four fiscal quarters, all determined in accordance with generally accepted accounting principles consistently applied.

"Domestic Guarantee Amount" means the aggregate amount of outstanding obligations of Foreign Loan Parties that are guaranteed by Domestic Loan Parties.

"Domestic Loan Party" means the Borrower and each Subsidiary of the Borrower that is organized under the laws of any State of the United States.

"EBITDA" means, for any period, the sum of (i) Adjusted Net Income, (ii) Interest Expense, (iii) depreciation and amortization and (iv) Federal, state

and local income taxes, in each case, computed in accordance with generally accepted accounting principles.

"Eligible Assignee" - (a) any of the following that have been approved by the Required Banks: (i) a commercial bank organized under the laws of the United States, or any state thereof; (ii) a savings and loan association or savings bank organized under the laws of the United States, or any state thereof; (iii) a commercial bank organized under the laws of any other country that is a member of the OECD or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, or a political subdivision of any such country, so long as such bank is acting through a branch or agency located in the country in which it is organized or another country that is described in this clause (iii); (iv) the central bank of any country that is a member of the OECD which bank has assumed the assets and liabilities of a Bank; and (v) a finance company, insurance company or other financial institution or fund (whether a corporation, partnership, trust or other entity) that is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business; (b) any other Person approved by the Administrative Agent and the Required Banks; and (c) a Bank or an Affiliate of a Bank.

"Employee Benefit Plan" means any employee benefit plan within the meaning of Section 3(3) of ERISA which (a) is maintained for employees of Borrower or any of its ERISA Affiliates or (b) has at any time within the preceding six (6) years been maintained for employees of the Borrower or any current ERISA Affiliate while an ERISA Affiliate.

"Employee Welfare Benefit Plan" means any employee benefit plan within the meaning of Section 3(1) of ERISA.

"Environmental Laws and Regulations" means all environmental, health and safety laws, regulations, resolutions, and ordinances applicable to the Borrower or any Subsidiary, or any of their respective assets or properties, including, without limitation: (i) all regulations, resolutions, ordinances, decrees, and other similar documents and instruments of all courts and governmental authorities, bureaus and agencies, domestic and foreign, whether issued by environmental regulatory agencies or otherwise, and (ii) all laws, regulations, resolutions, ordinances and decrees relating to Environmental Matters.

"Environmental Liability" means any liability under any applicable law for any release of a hazardous substance caused by the seeping, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of hazardous wastes or other chemical substances, pollutants or contaminants into the environment, and any liability for the costs of any clean-up or other remedial action including, without limitation, costs arising out of security fencing, alternative water supplies, temporary evacuation and housing and other emergency assistance undertaken by any environmental regulatory body having jurisdiction over the Borrower or any Subsidiary to prevent or minimize any actual or threatened release by the Borrower or any Subsidiary of any hazardous wastes or other hazardous substances, pollutants and contaminants into the environment that would endanger the public health or the environment.

"Environmental Matter(s)" means a release of any toxic or hazardous waste or other hazardous substance, pollutant or contaminant into the environment or the generation, treatment, storage or disposal of any toxic or hazardous wastes or other hazardous substances.

"Environmental Proceeding" means any judgment, action, proceeding or investigation pending before any court or governmental authority, bureau or agency, including, without limitation, any environmental regulatory body, with respect to, or to the best of Borrower's knowledge threatened against, the Borrower or any Subsidiary or relating to the assets or liabilities of any of them, including, without limitation, in respect of any "facility" owned, leased or operated by any of them under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or under any state, local or municipal statute, ordinance or regulation in respect thereof, in connection

with any release of any toxic or hazardous waste or other chemical substance, pollutant or contaminant into the environment, or with the generation, storage or disposal of any toxic or hazardous wastes or other chemical substances.

"ERISA" means the Employee Retirement Income Security Act of 1974, as it may be amended from time to time, and the regulations promulgated thereunder.

"ERISA Affiliate" means as applied to the Borrower, any corporation, person or trade or business which is a member of the Borrower's Controlled Group.

"ERISA MAE" means any matter which would result in liability to the Borrower or any ERISA Affiliate in an amount which would materially adversely affect the business or financial condition of the Borrower and its Subsidiaries on a consolidated basis.

"Eurodollar Business Day" means a Business Day on which dealings in Dollar deposits are carried out in the Eurodollar interbank market.

"Eurodollar Loans" means Loans the interest on which is determined on the basis of rates referred to in subparagraph (a) of the definition of "Fixed Base Rate" in this Article 1.

"Event of Default" is defined in Article 8 hereof.

"Facility Fee" is defined in subsection 2.7(b) hereof.

"Federal Funds Rate" means, for any day, the weighted average of the rates on overnight federal funds transactions with member banks of the Federal Reserve System arranged by federal funds brokers as published by the Federal Reserve Bank of New York for such day, or if such day is not a Business Day, for the next preceding Business Day (or, if such rate is not so published for any such day, the average rate charged to each Bank on such day on such transactions as reasonably determined by the Banks).

"Fee(s)" is defined in subsection 2.7(d) hereof.

"Financial Statements" means, with respect to the Borrower: (i) its consolidated audited Balance Sheet as at September 30, 1998, together with the related audited Income Statement, Statement of Shareholders' Equity and Statement of Cash Flows for the fiscal year then ended, (ii) its consolidated unaudited Balance Sheet as at June 30, 1999, together with the related unaudited Income Statement and Statement of Cash Flows for the 9-month period then ended, and (iii) each of the financial statements delivered to the Banks pursuant to subsections 5.1 and 5.2 hereof.

"Finotech" means Finotech Verbundstoffe GmbH, a 60% owned subsidiary of Clopay Plastic Products.

"Firstar" means Firstar Bank, National Association.

"Fixed Base Rate" means, with respect to any Eurodollar Loan for any Interest Period therefor, a rate of interest per annum (rounded upward, if necessary, to the nearest 1/32 of one percent), as determined by the Administrative Agent, on the basis of the offered rates for deposits in U.S. dollars, for a period of time comparable to such Eurodollar Loan which appears on the Telerate page 3750 as of 11:00 a.m. London time on the day that is two Eurodollar Business Days preceding the first day of such Eurodollar Loan Interest Period; provided, however, if the rate described above does not appear on the Telerate System on any applicable interest determination date, the Fixed Base Rate shall be determined by the Administrative Agent based on the rate (rounded upwards, if necessary, to the nearest 1/32 of 1%) for deposits in dollars for a period substantially equal to the Interest Period on the Reuters Page "LIBO" (or such other page as may replace the LIBO Page on that service for the purpose of displaying such rates), as of 11:00 a.m. (London Time), on the day that is two (2) Eurodollar Business Days prior to the beginning of such Interest Period. If two or more of such rates appear on the Reuters Screen LIBO Page, the rate shall be the arithmetic mean of such rates as determined by the Administrative Agent. If both the Telerate and Reuters system are unavailable,

then the rate for that date will be determined by the Administrative Agent on the basis of the offered rates for deposits in U.S. dollars for a period of time comparable to such Eurodollar Loan which are offered by four major banks in the London interbank market at approximately 11:00 a.m. London time, on the day that is two (2) Eurodollar Business Days preceding the first day of such Eurodollar Loan as selected by the Administrative Agent. The principal London office of each of the four major London banks will be requested to provide a quotation of its U.S. dollar deposit offered rate. If at least two such quotations are provided, the rate for the date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that date will be determined on the basis of the rates quoted for loans in U.S. dollars to

leading European banks for a period of time comparable to such Eurodollar Loan offered by major banks in New York City at approximately 11:00 a.m. New York City time, on the day that is two Eurodollar Business Days preceding the first day of such Eurodollar Loan. In the event that the Bank is unable to obtain any such quotation as provided above, it will be deemed that the Fixed Base Rate pursuant to a Eurodollar Loan cannot be determined.

"Fixed Rate" means, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Administrative Agent equal to (x) the Fixed Base Rate for such Loan for such Interest Period; divided by (y) 1 minus the Reserve Requirement for such Loan for such Interest Period. The Administrative Agent shall use its best efforts to advise the Borrower upon its request of the Fixed Rate for each Interest Period as soon as practicable after each change in the Fixed Rate; provided, however, that the failure of the Administrative Agent to so advise the Borrower on any one or more occasions shall not affect the rights of any Agent or any Bank or the obligations of the Borrower hereunder.

"Fleet" means Fleet Bank, National Association, a national banking association, in its capacity as a Bank hereunder.

"Foreign Loan Party" means each Subsidiary of the Borrower that is organized under the laws of a jurisdiction other than any State of the United States.

"Funded Debt to Cash Flow Ratio" means, for any period, the ratio of (a) Long-term Indebtedness for borrowed money of the Borrower and its Subsidiaries plus, without duplication, any Indebtedness for money borrowed of the Borrower and its Subsidiaries which will be due and payable during the immediately succeeding twelve month period, in each case outstanding as of the last day of such period, to (b) Adjusted Net Income of the Borrower and its Subsidiaries on a consolidated basis plus, without duplication, depreciation and amortization expense, each for the most recently completed four fiscal quarters.

"Indebtedness" means, with respect to any Person and without duplication, all: (i) liabilities or obligations, direct and contingent, which in accordance with generally accepted accounting principles would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person at the date as of which Indebtedness is to be determined, including, without limitation, contingent liabilities that in accordance with such principles, would be set forth in a specific Dollar amount on the liability side of such balance sheet, and Capitalized Lease Obligations of such Person; (ii) liabilities or obligations of others for which such Person is directly or indirectly liable, by way of guaranty (whether by direct guaranty, suretyship, discount, endorsement, take-or-pay agreement, agreement to purchase or advance or keep in funds or other agreement having the effect of a guaranty) or otherwise; (iii) liabilities or obligations secured by Liens on any assets of such Person, whether or not such liabilities or obligations shall have been assumed by it; and (iv) liabilities or obligations of such Person, direct or contingent, with respect to letters of credit (other than documentary letters of credit used in connection with the purchase of goods) issued for the account of such Person and bankers acceptances created for such Person.

"Interest Expense" means, for the applicable period of determination thereof, the interest expense during such period determined in accordance with

generally accepted accounting principles; provided, that, notwithstanding any such determination under generally accepted accounting principles, in each event "Interest Expense" shall be net of all interest income for the applicable period of determination.

"Interest Period" means, with respect to any Eurodollar Loan, each period commencing on the date such Loan is made or converted from a Loan or Loans of another type, or the last day of the next preceding Interest Period with respect to such Loan, and ending on the same day in the first, second, third or sixth calendar month thereafter, as the Borrower may select as provided in Section 2.2 hereof, except that each such Interest Period that commences on the last Eurodollar Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Eurodollar Business Day of the appropriate subsequent calendar month. Notwithstanding the foregoing: (i) each Interest Period that would otherwise end on a day that is not a Business Day shall end on the next succeeding Business Day (or, in the case of an Interest Period for Eurodollar Loans, if such next succeeding Eurodollar Business Day falls in the next succeeding calendar month, on the next preceding Eurodollar Business Day); (ii) no more than five (5) Interest Periods for Eurodollar Loans shall be in effect at the same time (not including Interest Periods in respect of Rollover Eurodollar Loans); (iii) any Interest Period for any type of Loan that commences before the Commitment Termination Date shall end no later than the Commitment Termination Date; and (iv) notwithstanding clause (iii) above, no Interest Period shall have a duration of less than one month (in the case of Eurodollar Loans). In the event that the Borrower fails to select the duration of any Interest Period for any Loan within the time period and otherwise as provided in Section 2.2 hereof, such Loans will be automatically converted into a Prime Rate Loan on the last day of the preceding Interest Period for such Loan. Notwithstanding anything to the contrary contained herein, during the period commencing on the date hereof and ending on January 19, 2000, with respect to all Loans, including Rollover Eurodollar Loans, the Borrower may elect one or more Interest Periods (including Interest Periods of durations other than as otherwise provided herein), so long as each such Interest Period ends no later than January 19, 2000. Interest Periods commencing on or after January 19, 2000 may be of any duration otherwise permitted hereunder.

"Investment" means, by any Person:

(a) the amount paid or committed to be paid, or the value of property or services contributed or committed to be contributed, by such Person for or in connection with the acquisition by such Person of any stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person; and

(b) the amount of any advance, loan or extension of credit by such Person, to any other Person, or guaranty or other similar obligation of such Person with respect to any Indebtedness of such other Person (other than Indebtedness constituting trade payables in the ordinary course of business), and (without duplication) any amount committed to be advanced, loaned, or extended by such Person to any other Person, or any amount the payment of which is committed to be assured by a guaranty or similar obligation by such Person for the benefit of, such other Person.

"IRS" means the Internal Revenue Service.

"Latest Balance Sheet" is defined in subsection 3.9(a) hereof.

"Leases" means leases and subleases (other than Capitalized Leases), licenses for the use of real property, easements, grants, and other attachment rights and similar instruments under which the Borrower has the right to use real or personal property or rights of way.

"Lien" means any mortgage, deed of trust, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing), any conditional sale or other title retention agreement, any lease in the nature of any of the foregoing, and the filing of or agreement to

give any financing statement under the Uniform Commercial Code of any jurisdiction.

"Lightron" means Lightron Corporation, a Delaware corporation.

"Limited Contingent Obligation" as applied to any Person, means any direct or indirect liability, contingent or otherwise, of that Person, without duplication: (a) with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto or (b) with respect to any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings. Limited Contingent Obligations shall include (i) the direct or indirect guaranty, endorsement (other than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of another, (ii) the obligation to make take-or-pay or similar payments if required regardless of nonperformance by any other party or parties to an agreement, and (iii) any liability of such Person for the obligations of another through any agreement to purchase, repurchase or otherwise acquire such obligation or any property constituting security therefor, to provide funds for the payment or discharge of such obligation or to maintain the solvency, financial condition or any balance sheet item or level of income of another. The amount of any Limited Contingent Obligation shall be equal to the amount of the obligation so guaranteed or otherwise supported or, if not a fixed and determined amount, the maximum amount so guaranteed.

"Loan(s)" is defined in Section 2.1 hereof. Loans of different types made or converted from Loans of other types on the same day (or of the same type but having different Interest Periods) shall be deemed to be separate Loans for all purposes of this Agreement.

"Loan Documents" means this Agreement, the Notes, the Pledge Agreement and all other documents required to be executed and delivered in connection herewith or therewith, including all amendments, modifications and supplements of or to all such documents.

"Loan Party" means the Borrower and any Subsidiary which on the date hereof or hereafter executes and delivers to any Agent or any Bank any Loan Document.

"Long-term Indebtedness" means:

(i) any Indebtedness payable more than one year from the date of creation thereof (including, without limitation and without duplication, any portion thereof payable on demand or maturing within one year after such date), which under generally accepted accounting principles is shown on the balance sheet as a liability (including Capitalized Lease Obligations but excluding reserves for deferred income taxes and other reserves to the extent that such reserves do not constitute an obligation), and

(ii) Indebtedness payable more than one year from the date of creation thereof (including, without limitation and without duplication, any portion thereof payable on demand or maturing within one year after such date), which is secured by any Lien on property owned by the Borrower or any Subsidiary, whether or not the indebtedness secured thereby shall have been assumed by the Borrower or such Subsidiary.

Any obligation shall be treated as Long-term Indebtedness, regardless of its term if such obligation is renewable pursuant to the terms thereof or of a revolving credit or similar agreement effective for more than one year after the date of the creation of such obligation, or may be payable out of the proceeds of a similar obligation pursuant to the terms of such obligation or of any such agreement.

"Material Adverse Effect" means any matter which would materially adversely affect the business, operations, properties or financial condition of the Borrower and its Subsidiaries on a consolidated basis.

"Monthly Dates" means the first day of each calendar month, the first of which shall be the first day of the first calendar month following the date of this Agreement.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001 (a) (3) of ERISA which is a Pension Plan and to which the Borrower or any ERISA Affiliate is making, or is accruing an obligation to make, contributions or has made, or been obligated to make, contributions within the preceding six (6) years while an ERISA Affiliate.

"New Type Loans" is defined in Section 2.21 hereof.

"Note(s)" is defined in Section 2.4 hereof.

"Obligations" means collectively, all of the Indebtedness, liabilities and obligations of the Borrower to the Administrative Agent, the Documentation Agent and/or the Banks, whether now existing or hereafter arising, whether or not currently contemplated, arising under the Loan Documents.

"Payment Office" means the office of the Administrative Agent located at 300 Broad Hollow Road, Melville, New York 11747.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Plan" means at any time an employee pension benefit plan that is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either: (i) maintained by the Borrower or any ERISA Affiliate for employees of the Borrower, or by the Borrower for employees of any ERISA Affiliate, or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which the Borrower or any ERISA Affiliate is then making or accruing an obligation to make contributions or has, while an ERISA Affiliate, within the preceding five plan years made contributions.

"Permitted Acquisition" means the acquisition by the Borrower or any Subsidiary of any Person or of any division or line of business of any Person (whether a Person, or division or line of business, an "Eligible Business"), either by merger, consolidation, purchase of stock, or purchase of all or a substantial part of the assets of such Eligible Business (any such type of transaction is referred to in this Agreement as an "acquisition" and the principal agreement relating thereto, whether a stock purchase agreement, an asset purchase agreement, a merger agreement or otherwise, is referred to in this Agreement as the "acquisition agreement"); provided that (i) the aggregate Permitted Acquisition Purchase Price of all such Permitted Acquisitions during the term of this Agreement from and after June 1, 1999 does not exceed (a) Two Hundred Million Dollars (\$200,000,000) in the aggregate, and (b) after excluding the value of any capital stock issued by the Borrower in connection with any Permitted Acquisition, One Hundred Million Dollars (\$100,000,000) in the aggregate, (ii) no Default or Event of Default shall exist immediately before and after giving affect to such Permitted Acquisition or result from the consummation thereof, and (iii) each of the following conditions shall have been satisfied:

(a) such transaction shall not be a "hostile" acquisition or other "hostile" transaction (i.e., such transaction shall not be opposed by the Board of Directors (or similar governing body) of the Eligible Business), provided that in the event the Borrower proposes to initiate such transaction as a hostile transaction with the intent to subsequently obtain the approval of the Board of Directors of the Eligible Business, the Borrower may notify the Administrative Agent and each Bank in writing in advance of the initiation of such proposed transaction together with any information concerning such transaction as the Administrative Agent or any Bank may request, and, provided that the Administrative Agent and each Bank shall have approved such transaction in writing prior to the initiation of such transaction, with the approval of the

each Bank being based on any possible conflict of any kind or other policy considerations of such Bank concerning such proposed acquisition and with such approval not to be unreasonably withheld, the Borrower may proceed with such transaction so long as the transaction ultimately is approved by the Board of Directors (or similar governing body) of the Eligible Business (and a majority of which were members of such Board of Directors (or similar governing body) at the time such transaction was initiated) and is otherwise in accordance with the terms of this Agreement;

(b) such acquisition (1) if such acquisition is a stock acquisition, shall be of greater than 50% of the issued and outstanding capital stock of such Eligible Business, whether by purchase or as a result of merger or consolidation (provided that the Borrower shall be the surviving corporation in any such merger or consolidation in which it is directly involved), and in any event shall consist of shares of capital stock with sufficient voting rights which entitles the Borrower to elect a majority of the directors of such Eligible Business and to control the outcome of any shareholder votes with respect to the shareholders of such Eligible Business, and (2) if such acquisition is an asset acquisition, shall be of all or a substantial part of an Eligible Business; and

(c) the Borrower or its Subsidiaries shall have (1) pledged to the Administrative Agent for the benefit of the Banks all of the issued and outstanding capital stock acquired by the Borrower or any subsidiary of (A) any Eligible Business the capital stock of which is to be acquired pursuant to such acquisition in which the Permitted Acquisition Purchase Price is greater than \$15,000,000, and (B) any new Subsidiary created as an acquisition vehicle with respect to such acquisition, (2) delivered to the Administrative Agent, simultaneously with consummation of such acquisition, all of the stock certificates representing such shares, together with stock powers executed in blank and proxies with respect thereto and (3) caused to be delivered to the Banks from any new Subsidiary customary corporate documents (including certified certificate of incorporation, by-laws and good standing certificates); provided, however, that so long as (i) Clopay remains a wholly-owned direct subsidiary of the Borrower and all of the issued and outstanding capital stock of Clopay remains subject to a first priority security interest in favor of the Administrative Agent, Clopay shall not be obligated to pledge, or cause the pledge of, the capital stock of any of its direct or indirect subsidiaries; and (ii) Telephonics remains a wholly-owned subsidiary of the Borrower and all of the issued and outstanding capital stock of Telephonics remains subject to a first priority security interest in favor of the Administrative Agent, Telephonics shall not be obligated to pledge, or cause the pledge of, the capital stock of any of its direct or indirect subsidiaries.

"Permitted Acquisition Purchase Price" means, with respect to any Permitted Acquisition, collectively, without duplication, (i) all Cash paid by the Borrower or any of its Subsidiaries in connection with such Permitted Acquisition, including in respect of transaction costs, fees and other expenses incurred by the Borrower or any of its Subsidiaries in connection with such Permitted Acquisition, (ii) all Indebtedness created, and all Indebtedness assumed, by the Borrower or any of its subsidiaries in connection with such Permitted Acquisition, including, without limitation, the maximum amount of any purchase price to be paid pursuant to any "earn out" provision contained in the agreements related to any Permitted Acquisition, (iii) the value of all capital stock issued by the Borrower or any of its Subsidiaries in connection with such Permitted Acquisition and (iv) any deferred portion of the purchase price or any other costs paid by the Borrower or any of its Subsidiaries in connection with such Permitted Acquisition.

"Permitted Liens" means, as to any Person: (i) pledges or deposits by such Person under workers' compensation laws, unemployment insurance laws, social security laws, or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness of such Person), or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of Cash or United States Government Bonds to secure surety, appeal, performance or other similar bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent; (ii) Liens imposed by law, such as

carriers', warehousemen's, materialmen's and mechanics' liens, or Liens arising out of judgments or awards against such Person with respect to which such Person at the time shall currently be prosecuting an appeal or proceedings for review; (iii) Liens for taxes not yet subject to penalties for non-payment and Liens for taxes the payment of which is being contested as permitted by Section 6.6 hereof; and (iv) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of, others for rights of way, highways and railroad crossings, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties, or Liens incidental to the conduct of the business of such Person or to the ownership of such Person's property that were not incurred in connection with Indebtedness of such Person, all of which Liens referred to in the preceding clause (iv) do not in the aggregate materially detract from the value of the properties to which they relate or materially impair their use in the operation of the business taken as a whole of such Person, and as to all the foregoing only to the extent arising and continuing in the ordinary course of business.

"Person" means an individual, a corporation, a partnership, a joint venture, a trust or unincorporated organization, a joint stock company or other similar organization, a government or any political subdivision thereof, a court, or any other legal entity, whether acting in an individual, fiduciary or other capacity.

"Pledge Agreement" means that certain Pledge Agreement substantially in the form of Exhibit A-2 hereto, dated as of the date hereof between the Borrower and the Administrative Agent, for the ratable benefit of the Banks, and any other pledge agreement executed and delivered by the Borrower or any Subsidiary from time to time in connection herewith, including all amendments, modifications and supplements of or to all such agreements.

"Post-Default Rate" means (i) in respect to principal of or interest on any Loans not paid when due (whether at stated maturity, by acceleration or otherwise), a rate per annum during the period commencing on the due date until such unpaid principal is paid in full equal to: (x) if such Loans are Prime Rate Loans, 2% above the Prime Rate as in effect from time to time plus the Applicable Margin for Prime Rate Loans (but in no event less than the interest rate in effect on the due date), or (y) if such Loans are Eurodollar Loans, 2% above the rate of interest in effect thereon at the time of such default until the end of the then current Interest Period therefor and, thereafter, 2% above the Prime Rate as in effect from time to time plus the Applicable Margin for Prime Rate Loans (but in no event less than the interest rate in effect on the due date); and (ii) in respect of other amounts payable by the Borrower hereunder (other than interest) not paid when due (whether at stated maturity, by acceleration or otherwise), a rate per annum during the period commencing on the due date until such other amounts are paid in full equal to 2% above the Prime Rate as in effect from time to time plus the Applicable Margin for Prime Rate Loans (but in no event less than the interest rate in effect on the due date).

"Prime Rate" means the interest rate established by Fleet from time to time as its prime rate at its Principal Office. Notwithstanding the foregoing, the Borrower acknowledges that Fleet may regularly make domestic commercial loans at rates of interest less than the rate of interest referred to in the preceding sentence and that the Prime Rate is a reference rate and does not necessarily represent the lowest or best rate being charged to any borrower. Each change in any interest rate provided for herein based upon the Prime Rate resulting from a change in the Prime Rate shall take effect at the time of such change in the Prime Rate.

"Prime Rate Loans" means Loans that bear interest at a rate based upon the Prime Rate.

"Principal Office" means, as to the Administrative Agent or any Bank, the principal office designated from time to time by such Person.

"Principal Subsidiary" means Clopay or Telephonics.

"Prior Agreement" means that that certain Loan Agreement dated June 8, 1995 by and among the Borrower, NatWest Bank N.A. (now known as Fleet), individually and as Collateral Agent, and Chemical Bank (now known as Chase), as the same has been amended and modified.

"Projections" means the projections delivered to the Banks pursuant to Section 5.3 hereof (in the format provided in connection with the Prior Agreement).

"Purchase Money Indebtedness" means Indebtedness (other than Loans) incurred in connection with the Borrower's acquisition of fixed assets; provided, that:

(i) The transaction in which any Purchase Money Indebtedness is proposed to be created is not then prohibited by this Agreement and

(ii) The Indebtedness incurred or to be incurred does not exceed the cost of the property or asset acquired.

"Purchase Money Security Interest" is defined in subsection 7.2(c) hereof.

"Quarterly Dates" means the first day of each January, April, July and October of each year, the first of which shall be the first such day after the date of this Agreement, provided that, if any such date is not a Eurodollar Business Day, the relevant Quarterly Date shall be the next succeeding Eurodollar Business Day (or, if the next succeeding Eurodollar Business Day falls in the next succeeding calendar month, then on the next preceding Eurodollar Business Day).

"Quick Ratio" means as at any date, the ratio of Current Assets (excluding inventories) to Current Liabilities.

"Real Property" is defined in Section 7.13 hereof.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System, as the same may be amended or supplemented from time to time.

"Regulatory Change" means, as to any Bank, any change after the date of this Agreement in United States federal, state or foreign laws or regulations (including Regulation D and the laws or regulations that designate any assessment rate relating to certificates of deposit or otherwise (including the "Assessment Rate" if applicable to any Loan) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks, including such Bank, of or under any United States federal, state or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Banks" means, at any time while no Loans are outstanding hereunder, Banks having at least sixty six and two-thirds percent (66 2/3%) of the aggregate amount of the Commitments and, at any time while Loans are outstanding hereunder, Banks holding at least sixty six and two-thirds percent (66 2/3%) of the outstanding aggregate principal amount of the Loans hereunder.

"Reserve Requirement" means, for any Eurodollar Loans for any quarterly period (or, as the case may be, shorter period) as to which interest is payable hereunder, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during such period under Regulation D by member banks of the Federal Reserve System in New York City with deposits exceeding one billion Dollars against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks by reason of any Regulatory

Change against: (i) any category of liabilities that includes deposits by references to which the Fixed Rate for Eurodollar Loans is to be determined as provided in the definition of "Fixed Base Rate" in this Article 1, or (ii) any category of extensions of credit or other assets that include Eurodollar Loans.

"Revolving Credit Period" means the period commencing on the date of this Agreement and ending on the Commitment Termination Date.

"Revolving Exposure" means, with respect to any Bank as of any date, the sum as of such date of the outstanding principal balance of such Bank's Loans.

"Revolving Percentage" means, as of any date and with respect to each Bank, the percentage equal to a fraction (i) the numerator of which is the Commitment of such Bank on such date (or, if there are no Commitments on such date, on the last date upon which one or more Commitments were in effect), and (ii) the denominator of which is sum of the Commitments of all the Banks on such date (or, if there are no Commitments on such date, on the last date upon which one or more Commitments were in effect).

"Rollover Eurodollar Loans" means Eurodollar Loans made pursuant to the -----
Prior Agreement that have an Interest Period that terminates after the effective

date of this Agreement, all as set forth in Schedule I hereto.

"Security Documents" is defined in subsection 2.23(b) hereof.

"Standard-Keil" means Standard-Keil Industries, Inc., a Delaware corporation.

"Subordinated Debt" means unsecured Indebtedness for money borrowed that is subordinated upon terms and in form and substance reasonably satisfactory to the Administrative Agent and the Banks, as evidenced by the Administrative Agent's and Banks' written consent thereto given prior to the creation of such Indebtedness.

"Subsidiary" means, with respect to any Person, any corporation, partnership or joint venture whether now existing or hereafter organized or acquired: (i) in the case of a corporation, of which a majority of the securities having ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) are at the time owned by such Person and/or one or more Subsidiaries of such Person, or (ii) in the case of a partnership or joint venture in which such Person is a general partner or joint venturer or of which a majority of the partnership or other ownership interests are at the time owned by such Person and/or one or more of its Subsidiaries. Unless the context otherwise requires, references in this Agreement to "Subsidiary" or "Subsidiaries" shall be deemed to be references to a Subsidiary or Subsidiaries of the Borrower or any of its Subsidiaries.

"Tangible Net Worth" means the sum of capital surplus, earned surplus and capital stock, minus deferred charges (including, but not limited to, unamortized debt discount and expense, organization expenses and experimental and development expenses, but excluding prepaid expenses and deferred income tax assets), intangibles and treasury stock, all as determined in accordance with generally accepted accounting principles consistently applied.

"Telephonics" means Telephonics Corporation, a Delaware corporation.

"Termination Date" means October 1, 2006.

"Termination Event" means (a) a "Reportable Event" described in Section 4043 of ERISA and the regulations issued thereunder for which the 30-day notice requirement is not waived by the regulations; or (b) the withdrawal of the Borrower or any ERISA Affiliate from a Pension Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a) (2) of ERISA or was deemed such under Section 4068(f) of ERISA; or (c) the termination of a

Pension Plan subject to Title IV of ERISA, the filing of a notice of intent to terminate a Pension Plan subject to Title IV of ERISA, or the treatment of a Pension Plan amendment as a termination under Section 4041 of ERISA; or (d) the institution of proceedings to terminate a Pension Plan by the PBGC; or (e) any other event or condition which would constitute grounds under Section 4042 (a) of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan subject to such Section 4042(a); or (f) the partial or complete withdrawal of the Borrower or any ERISA Affiliate from a Multiemployer Plan; or (g) the imposition of a Lien pursuant to Section 412 of the IRC or Section 302 of ERISA; or (h) any event or condition which results in the reorganization or insolvency of a Multiemployer Plan under Section 4241 or Section 4245 of ERISA, respectively; or (i) any event or condition which results in the termination of a Multiemployer Plan under Section 4041A of ERISA or the institution by the PBGC of proceedings to terminate a Multiemployer Plan under Section 4042 of ERISA.

"Unfunded Capital Expenditures" shall mean Capital Expenditures during the applicable period of determination minus increases in Purchase Money Indebtedness and offsetting cash sales of capital equipment, all determined in accordance with generally accepted accounting principles applied on a consistent basis.

"Unsubordinated Liabilities" means, with respect to any Person, all Indebtedness as defined in clause (i) of the definition of "Indebtedness" but excluding any Subordinated Debt.

"Unused Commitment" means, as at any date, for each Bank, the difference, if any, between: (i) the amount of such Bank's Commitment as in effect on such date, and (ii) the then aggregate outstanding principal amount of all Loans made by such Bank.

"Western Synthetic" means Western Synthetic Felt Company, a division of Lightron.

"Year 2000 Issue" means failure of computer software, hardware and firmware systems and equipment containing embedded computer chips to properly receive, transmit, process, manipulate, store, retrieve, retransmit or in any other way utilize data and information due to the occurrence of the year 2000 or the inclusion of dates on or after January 1, 2000.

Any accounting terms used in this Agreement that are not specifically defined herein shall have the meanings customarily given to them in accordance with generally accepted accounting principles as in effect on the date of this Agreement, except that references in Article 5 to such principles shall be deemed to refer to such principles as in effect on the date of the financial statements delivered pursuant thereto.

Article 2 Commitments; Loans.

Section 2.1. Loans.

Each Bank hereby severally agrees, on the terms and subject to the conditions of this Agreement, to make loans (each a "Loan" and, as the context may require, collectively with all other Loans of such Bank and with the Loans of all other Banks, the "Loans") to the Borrower from time to time on any Business Day during the Revolving Credit Period to and including the Commitment Termination Date, provided that after giving effect thereto (i) such Bank's Revolving Exposure would not exceed such Bank's Commitment as then in effect, and (ii) the Aggregate Revolving Exposure would not exceed the Aggregate Revolving Commitment as then in effect. Subject to the terms of this Agreement, during the Revolving Credit Period the Borrower may borrow, repay (provided that repayment of Eurodollar Loans shall be subject to the provisions of Section 2.22 hereof) and reborrow up to the amount of each Bank's Commitment and the Aggregate Revolving Commitment (after giving effect to the mandatory and voluntary reductions required and permitted herein) by means of Prime Rate Loans or Eurodollar Loans, and during such period and thereafter until the date of the payment in full of all of the Loans, the Borrower may convert Loans of one type

into Loans of another type (as provided in section 2.17 hereof).

Section 2.2. Notices Relating to Loans.

The Borrower shall give the Administrative Agent written notice of each termination or reduction of the Commitments, each borrowing, conversion and prepayment of each Loan and of the duration of each Interest Period applicable to each Eurodollar Loan (in each case, a "Borrowing Notice"). Each such written notice shall be irrevocable and shall be effective only if received by the Administrative Agent not later than 11 a.m., New York City time, on the date that is:

(a) in the case of each notice of termination or reduction and each notice of borrowing or prepayment of, or conversion into, Prime Rate Loans, the same as the date of the related termination, reduction, borrowing, prepayment or conversion; and

(b) in the case of each notice of borrowing or prepayment of, or conversion into, Eurodollar Loans, or the duration of an Interest Period for Eurodollar Loans, three (3) Eurodollar Business Days prior to the date of the related borrowing, prepayment, or conversion or the first day of such Interest Period.

Each such notice of termination or reduction shall specify the amount thereof. Each such notice of borrowing, conversion or prepayment shall specify the amount (subject to Section 2.1 hereof) and type of Loans to be borrowed, converted or prepaid (and, in the case of a conversion, the type of Loans to result from such conversion), the date of borrowing, conversion or prepayment (which shall be: (x) a Business Day in the case of each borrowing or prepayment of Prime Rate Loans and (y) a Eurodollar Business Day in the case of each borrowing or prepayment of Eurodollar Loans and each conversion of or into a Eurodollar Loan). Each such notice of the duration of an Interest Period shall specify the Loans to which such Interest Period is to relate.

Section 2.3. Disbursement of Loan Proceeds.

(a) The Borrower shall give the Administrative Agent notice of each borrowing hereunder as provided in Section 2.2 hereof. Upon receipt of each Borrowing Notice, the Administrative Agent shall promptly notify each Bank thereof. Subject to its receipt of the notice referred to in the preceding sentence, each Bank will make the amount of its Revolving Percentage of the requested Loans available to the Administrative Agent for the account of the Borrower at the Payment Office not later than 2:00 p.m. on the relevant Borrowing Date specified for each borrowing hereunder, in funds immediately available to the Administrative Agent at such office. The amounts so made available to the Administrative Agent on such Borrowing Date will then, subject to the satisfaction of the terms and conditions of this Agreement, be made available on such date to the Borrower by the Administrative Agent at the Payment Office by crediting the account of the Borrower on the books of the Administrative Agent at such office with the aggregate of said amounts (in like funds) received by the Administrative Agent.

(b) Unless the Administrative Agent shall have confirmed that prior to its funding of a Loan it received notice from a Bank (by telephone or otherwise, such notice to be promptly confirmed by facsimile or other writing) that such Bank will not make available to the Administrative Agent such Bank's share of the requested Loans, the Administrative Agent may assume that such Bank has made such share available to the Administrative Agent on the Borrowing Date in accordance with this Section and, in reliance upon such assumption, make available to the Borrower on such Borrowing Date a corresponding amount. If and to the extent such Bank shall not have so made such share available to the Administrative Agent, such Bank and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount (to the extent not previously paid by the other), together with interest thereon for each day from the date such amount is made available to the Borrower to the date such amount is paid to the Administrative Agent, at a rate per annum equal to, in the case of the Borrower, the interest rate otherwise applicable to such

Loan, and, in the case of such Bank, at a rate of interest per annum equal to the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rates on interbank compensation. If such Bank shall pay to the Administrative Agent such corresponding amount, such amount so paid shall constitute such Bank's Loan as part of the relevant borrowing for purposes of this Agreement.

Section 2.4. Notes.

(a) The Loans made by the Banks shall be evidenced by separate promissory notes of the Borrower payable to each Bank (each, a "Note" and collectively, the "Notes"), each in substantially the form of Exhibit A-1 hereto. Each Note shall be dated the date of this Agreement, shall be payable to the order of such Bank in a principal amount equal to such Bank's Commitment as originally in effect, and shall otherwise be duly completed. The Notes shall be payable as provided in Sections 2.1 and 2.5 hereof.

(b) Each Bank shall enter on a schedule attached to its Note a notation with respect to each Loan made hereunder of: (i) the date and principal amount thereof, (ii) each payment and prepayment of principal thereof, (iii) whether the interest rate is initially to be determined in accordance with subsection 2.6(a) (i) or 2.6(a) (ii) hereof, and (iv) the Interest Period, if applicable. The failure of any Bank to make a notation on the schedule to its Note as aforesaid shall not limit or otherwise affect the obligation of the Borrower to repay the Loans in accordance with their respective terms as set forth herein.

Section 2.5. Repayment of Principal of Loans.

(a) The Commitments of the Banks to make additional Loans shall terminate on the Commitment Termination Date and the Borrower shall pay to each Bank the principal of the Loans made by such Bank outstanding on the close of business on the Commitment Termination Date in sixteen (16) consecutive quarterly installments on the Quarterly Dates, commencing on January 1, 2003 and with the final installment payable on the Termination Date (provided that the last such payment shall be in an amount sufficient to repay in full the principal amount of such Loans), with the amount of the installment paid on each payment date to be equal to six and one-quarter percent (6.25%) of the principal of such Loans outstanding at the close of business on the Commitment Termination Date.

(b) The Loans: (i) shall be repaid as and when necessary to cause the aggregate principal amount of the Loans outstanding not to exceed each Bank's Commitment, as reduced pursuant to Section 2.8 hereof, and (ii) may be repaid at any time and from time to time, in whole or in part, without premium or penalty (except as otherwise provided in Section 2.22 hereof), upon prior written notice to each Bank as provided in Section 2.2 hereof, in a minimum amount of \$500,000 and in integral multiples of \$100,000 in the case of Prime Rate Loans, and in a minimum amount of \$2,000,000 and in integral multiples of \$100,000 in the case of Eurodollar Loans, except as otherwise provided in Section 2.11 hereof, and any amount so repaid may, subject to the terms and conditions hereof, including the borrowing limitation imposed by the Commitments, be reborrowed hereunder during the Revolving Credit Period; provided, however, that: (A) Eurodollar Loans may be repaid only on the last day of an Interest Period for such Loans, and (B) all repayments of Loans or any portion thereof shall be made together with payment of all interest accrued on the amount repaid through the date of such repayment.

(c) Except as set forth in Sections 2.18, 2.19 and 2.21 hereof, all payments and repayments made pursuant to the terms hereof shall be applied first to Prime Rate Loans, and shall be applied to Eurodollar Loans only to the extent any such payment exceeds the principal amount of Prime Rate Loans outstanding at the time of such payment.

(d) The Borrower may request a Eurodollar Loan only if compliance with the payment schedule set forth in subsection 2.5(a) hereof (with the payments provided for therein being applied in accordance with subsection 2.5(c) hereof)

would not result in any portion of the principal amount of such Eurodollar Loan being paid prior to the last day of the Interest Period applicable thereto.

Section 2.6. Interest.

(a) The Borrower agrees to pay to the Administrative Agent, for the account of the Banks in accordance with each Bank's Revolving Percentage, interest on the unpaid principal amount of each Loan made by such Bank for the period commencing on the date of such Loan until such Loan shall be paid in full, at the following rates per annum:

(i) During such periods that such Loan is a Prime Rate Loan, the Prime Rate plus the Applicable Margin; and

(ii) During such periods that such Loan is a Eurodollar Loan, for each Interest Period relating thereto, the Fixed Rate for such Loan for such Interest Period plus the Applicable Margin.

(b) Notwithstanding the foregoing, the Borrower shall pay interest on any Loan or any installment thereof, and on any other amount payable by the Borrower hereunder (to the extent permitted by law) that shall not be paid in full when due (whether at stated maturity, by acceleration or otherwise) for the period commencing on the due date thereof until the same is paid in full at the applicable Post-Default Rate.

(c) Except as provided in the next sentence, accrued interest on each Loan shall be payable: (i) in the case of a Prime Rate Loan, monthly in arrears on the Monthly Dates, (ii) in the case of a Eurodollar Loan, on the last day of each Interest Period for such Loan (and, if such Interest Period exceeds three months in duration, on the last day of each three-month period occurring during such Interest Period) and (iii) in the case of any Loan, upon the payment or prepayment thereof or the conversion thereof into a Loan of another type (but only on the principal so paid, prepaid or converted). Interest that is payable at the Post-Default Rate shall be payable from time to time on demand of any Bank. Promptly after the establishment of any interest rate provided for herein or any change therein, the Administrative Agent will notify the Borrower thereof, provided that the failure to so notify the Borrower shall not affect the obligations of the Borrower hereunder or under any of the Notes in any respect.

(d) Anything in this Agreement or any of the Notes to the contrary notwithstanding, the obligation of the Borrower to make payments of interest shall be subject to the limitation that payments of interest shall not be required to be made to any Bank to the extent that such Bank's receipt thereof would not be permissible under the law or laws applicable to such Bank limiting rates of interest that may be charged or collected by such Bank. Any such payments of interest that are not made as a result of the limitation referred to in the preceding sentence shall be made by the Borrower to such Bank on the earliest interest payment date or dates on which the receipt thereof would be permissible under the laws applicable to such Bank limiting rates of interest that may be charged or collected by such Bank. Such deferred interest shall not bear interest.

Section 2.7. Fees.

(a) The Borrower agrees to pay to the Administrative Agent, for the account of the Banks in accordance with each Bank's Revolving Percentage, a commitment fee (the "Commitment Fee") on the daily average amount of such Bank's Unused Commitment, for the period from the date hereof to and including the earlier of the date such Bank's Commitment is terminated or the Commitment Termination Date, at the rate of one-quarter of one percent (0.25%) per annum on the total Unused Commitment for such Bank. The accrued Commitment Fee shall be payable quarterly in arrears on the Quarterly Dates, commencing with October 1, 1999, and on the earlier of the date the Commitments are terminated or the Commitment Termination Date, and, in the event the Borrower reduces the Commitment as provided in section 2.8 hereof, on the effective date of such reduction.

(b) Simultaneously with the execution and delivery of this Agreement, the Borrower shall pay to the Administrative Agent, for the account of the Banks in accordance with each Bank's Revolving Percentage, a non-refundable facility fee (the "Facility Fee") in an amount equal to Two Hundred Forty Thousand (\$240,000) Dollars in the aggregate.

(c) Simultaneously with the execution and delivery of this Agreement, the Borrower shall pay to Fleet and Chase any and all accrued and unpaid interest, fees and other amounts that are due and owing to them under or in connection with the Prior Agreement, whether as a "Bank" or as "Collateral Agent" (as such terms are defined in the Prior Agreement).

(d) The Commitment Fee and the Facility Fee are hereinafter sometimes referred to individually as a "Fee" and collectively as the "Fees".

Section 2.8. Voluntary Changes in Commitment; Prepayments
After Commitment Termination Date.

Subject to Section 2.15 hereof, the Borrower shall be entitled to terminate or reduce the Banks' Commitments provided that the Borrower shall give notice of such termination or reduction to the Administrative Agent as provided in Section 2.2 hereof and that any partial reduction of the Commitments shall be in an aggregate amount equal to \$500,000 or an integral multiple thereof. Any such termination or reduction shall be permanent and irrevocable.

Section 2.9. Use of Proceeds of Loans; Existing Indebtedness.

(a) The proceeds of the Loans hereunder may be used by the Borrower solely: (i) to refinance the indebtedness of the Borrower under the Prior Agreement, and (ii) the Borrower's working capital purposes and for other corporate purposes permitted hereunder (including, without limitation, Permitted Acquisitions and the repurchase, redemption, retirement or acquisition of the Borrower's capital stock not prohibited by Section 7.5 hereof).

(b) The Notes executed in connection with this Agreement payable to the order of each of Chase and Fleet shall amend, restate, replace and supersede the Notes made by the Borrower to the order of each of such Banks in connection with the Prior Agreement (the "Prior Notes"); provided, however, that the execution and delivery of the Notes hereunder shall not in any circumstance be deemed to have terminated, extinguished or discharged the Borrower's indebtedness under such Prior Notes with respect to the Rollover Eurodollar Loans, all of which indebtedness shall continue under and be governed by the Notes and the documents, instruments and agreements executed pursuant hereto or in connection herewith.

(c) With respect to each of Chase and Fleet, Schedule I sets forth (i) each Rollover Eurodollar Loan outstanding to such Bank as of the date hereof, and (ii) the last day of the Interest Period for each such Rollover Eurodollar Loan.

(d) With respect to all loans outstanding under the Prior Agreement other than Rollover Eurodollar Loans, the Borrower shall pay to each of Chase and Fleet on the date hereof, the then outstanding principal balance of each such loan, if any, together with all accrued and unpaid interest with respect thereto. With respect to all Rollover Eurodollar Loans set forth on Schedule I hereto, such loans shall remain outstanding until the last day of the Interest Period therefor, at which time the Borrower shall pay to the respective Bank the entire principal balance of such Rollover Eurodollar Loan together with all accrued and unpaid interest with respect thereto (provided each such Rollover Eurodollar Loan shall be subject to all the terms and conditions of this Agreement unless in the opinion of the Agent and the Required Banks the context should indicate otherwise).

(e) Notwithstanding anything to the contrary contained in this Agreement, from the date hereof through and including January 19, 2000, the Banks shall (i)

on the last day of each Interest Period, and (ii) on the date of each borrowing, repayment or prepayment of Loan(s) hereunder, at the direction of the Agent,

make appropriate adjustments (whether by participation or otherwise) among themselves in order to insure that the amount (and type) of Loans outstanding to the Borrower from each Bank hereunder (as of such date) are proportionate to the aggregate amount of the total Commitments of the Banks hereunder. The Borrower agrees and consents to the terms of this subsection 2.9(e).

Section 2.10. Computations.

Interest on all Loans and each Fee shall be computed on the basis of a year of 360 days and actual days elapsed (including the first day but excluding the last) occurring in the period for which payable.

Section 2.11. Minimum Amounts of Borrowings, Conversions,
Prepayments and Interest Periods.

Except for borrowings, conversions and prepayments that exhaust the full remaining amount of the Aggregate Revolving Commitment (in the case of borrowings) or result in the conversion or prepayment of all Loans of a particular type (in the case of conversions or prepayments) or conversions made pursuant to Section 2.18 or Section 2.20 hereof, each borrowing from each Bank, each conversion of Loans of one type into Loans of another type and each prepayment of principal of Loans hereunder shall be in an amount at least equal to \$500,000 and in integral multiples of \$100,000 in the case of Prime Rate Loans, and in an amount at least equal to \$2,000,000 and in integral multiples of \$100,000 in the case of Eurodollar Loans (borrowings, conversions and prepayments of different types of Loans at the same time hereunder to be deemed separate borrowings, conversions and prepayments for purposes of the foregoing, one for each type).

Section 2.12. Time and Method of Payments.

(a) Except as provided below, all payments of principal, interest, Fees and other amounts (including indemnities) to be paid by the Borrower under the Loan Documents or payable by the Borrower hereunder shall be made in Dollars, in immediately available funds, shall be made to the Administrative Agent, prior to 11:00 a.m. on the date such payment is due, for the account of the applicable Credit Party at the Payment Office, without set-off, offset, recoupment or counterclaim. The failure of the Borrower to make any such payment by such time shall not constitute a Default, provided that such payment is made on such due date, but any such payment made after 1:00 p.m. on such due date shall be deemed to have been made on the next Business Day for the purpose of calculating interest on amounts outstanding on the Revolving Loans. As between the Borrower and each Credit Party, any payment by the Borrower to the Administrative Agent for the account of such Credit Party shall be deemed to be payment by the Borrower to such Credit Party. Notwithstanding the foregoing, all payments pursuant to Sections 2.18, 2.22, 9.1 and 9.2 shall be paid directly to the Credit Party entitled thereto. Furthermore, the Administrative Agent and any Bank for whose account any such payment is to be made may, but shall not be

obligated to, debit the amount of any such payment that is not made by such time to any ordinary deposit account of the Borrower with the Administrative Agent or such Bank, as the case may be. If any payment under the Loan Documents shall be due and payable on a day which is not a Business Day, the due date thereof (except as otherwise provided with respect to Interest Periods) shall be extended to the next Business Day and (except with respect to payments in respect of the Fees) interest shall be payable at the applicable rate specified herein during such extension, provided, however, that if such next Business Day would be after the Termination Date, such payment shall instead be due on the immediately preceding Business Day. Additional provisions relating to payments are set forth in Section 9.3 hereof.

(b) If at any time insufficient funds are received by and available to the

Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (A) first, towards payment of interest and fees then due under the Loan Documents, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (B) second, towards payment of principal then due under the Loan Documents, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

Section 2.13. Lending Offices.

The Loans of each type made by each Bank shall be made and maintained at such Bank's Applicable Lending Office for Loans of such type.

Section 2.14. Failure to Fund.

The failure of any Bank to make any Loan to be made by it on the date specified therefor shall not relieve any other Bank of its respective obligations to make its Loans on such date, but no Bank shall be responsible for the failure of any other Bank to make Loans to be made by such other Bank.

Section 2.15. Pro Rata Treatment Between Banks.

Notwithstanding anything to the contrary provided herein, other than as set forth in Section 2.9 hereof: (i) each borrowing from the Banks under Section 2.1 hereof will be made from the Banks and each payment of each Fee shall be made to the Banks pro rata according to each Bank's Revolving Percentage (without giving effect to the termination thereof, whether pursuant to subsection 2.5 (a), Article 8 or otherwise) ; (ii) each partial reduction of the Commitments shall be applied to the Commitments of the Banks pro rata according to each Bank's Revolving Percentage; (iii) each conversion of Loans of a particular type under Section 2.17 hereof (other than conversions provided for by Section 2.20 or 2.21 hereof) will be made pro rata among the Banks holding Loans of such type according to the respective principal amounts of such Loans held by such Banks; (iv) each payment and prepayment of principal of or interest on Loans of a particular type will be made to the Banks pro rata in accordance with the respective unpaid principal amounts of such Loans held by such Banks; and (v) each borrowing from the Banks under Section 2.1 hereof will be made from the Banks at the same Interest Period (if applicable) with respect to each such borrowing.

Section 2.16. Sharing of Payments, and Set-Off Among Banks.

The Borrower hereby agrees that, in addition to (and without limitation of) any right of set-off, banker's lien or counterclaim a Bank may otherwise have, each Bank shall be entitled, at its option, to offset balances held by it at any of its offices against any principal of or interest on any of its Loans hereunder, or any Fee or other amount payable to it, that is not paid when due (regardless of whether such balances are then due to the Borrower), in which case it shall promptly notify the Borrower and the other Banks thereof, provided that its failure to give such notice shall not affect the validity thereof. If a Bank shall effect payment of any principal of or interest on Loans held by it under this Agreement through the exercise of any right of set-off, banker's lien, counterclaim or similar right, it shall promptly purchase from the other Banks participations in the Loans held by the other Banks in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that each Bank shall share the benefit of such payment pro rata in accordance with the unpaid principal and interest on the Loans held by each of them. To such end the Banks shall make appropriate adjustments between themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. The Borrower agrees that such Bank so purchasing a participation in the Loans held by the other Banks may, to the fullest extent permitted by law, exercise all rights of payment (including the rights of set-off, banker's lien, counterclaim or similar rights) with respect to such

participation as fully as if such Bank were a direct holder of Loans in the amount of such participation. Nothing contained herein shall require any Bank to exercise any such right or shall affect the right of any Bank to exercise and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrower.

Section 2.17. Conversions of Loans.

The Borrower shall have the right to convert Loans of one type into Loans of another type from time to time, provided that: (i) the Borrower shall give the Administrative Agent notice of each such conversion as provided in Section 2.2 hereof; (ii) Eurodollar Loans may be converted only on the last day of an Interest Period for such Loans; and (iii) except as required by Sections 2.18 or 2.21 hereof, no Prime Rate Loan may be converted into a Eurodollar Loan if on the proposed date of conversion a Default or an Event of Default exists. The Administrative Agent shall use its best efforts to notify the Borrower of the effectiveness of such conversion, and the new interest rate to which the converted Loans are subject, as soon as practicable after the conversion; provided, however, that any failure to give such notice shall not affect the Borrower's obligations, or the Banks' or the Administrative Agent's rights and remedies, hereunder in any way whatsoever.

Section 2.18. Additional Costs; Capital Requirements.

(a) In the event that any existing or future law or regulation, guideline or interpretation thereof, by any court or administrative or governmental authority charged with the administration thereof, or compliance by any Bank with any request or directive (whether or not having the force of law) of any such authority shall impose, modify or deem applicable or result in the application of, any capital maintenance, capital ratio or similar requirement against loan commitments made by any Bank hereunder, and the result of any event referred to above is to impose upon any Bank or increase any capital requirement applicable as a result of the making or maintenance of such Bank's Commitment or the obligation of the Borrower hereunder with respect to such Commitment (which imposition of capital requirements may be determined by each Bank's reasonable allocation of the aggregate of such capital increases or impositions), then, upon demand made by such Bank as promptly as practicable after it obtains knowledge that such law, regulation, guideline, interpretation, request or directive exists and determines to make such demand, the Borrower shall immediately pay to such Bank from time to time as specified by such Bank additional commitment fees which shall be sufficient to compensate such Bank for such imposition of or increase in capital requirements together with interest on each such amount from the date demanded until payment in full thereof at the Post-Default Rate. A certificate setting forth in reasonable detail the amount necessary to compensate such Bank as a result of an imposition of or increase in capital requirements submitted by such Bank to the Borrower shall be conclusive, absent manifest error, as to the amount thereof. For purposes of this Section 2.18: (i) in calculating the amount necessary to compensate any Bank for any imposition of or increase in capital requirements, such Bank shall be deemed to be entitled to a rate of return on capital (after federal, state and local taxes) of fifteen percent per annum, and (ii) all references to any "Bank" shall be deemed to include any participant in such Bank's Commitment.

(b) In the event that any Regulatory Change shall: (i) change the basis of taxation of any amounts payable to any Bank under this Agreement or the Notes in respect of any Loans including, without limitation, Eurodollar Loans (other than taxes imposed on the overall net income of such Bank for any such Loans by the United States of America or the jurisdiction in which such Bank has its Principal Office); or (ii) impose or modify any reserve, Federal Deposit Insurance Corporation premium or assessment, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Bank (including any of such Loans or any deposits referred to in the definition of "Fixed Base Rate" in Article 1 hereof); or (iii) impose any other conditions affecting this Agreement in respect of Loans, including, without limitation, Eurodollar Loans (or any of

such extensions of credit, assets, deposits or liabilities); and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase such Bank's costs of making or maintaining any Loans, including, without limitation, Eurodollar Loans, or its Commitment, or to reduce any amount receivable by such Bank hereunder in respect of any of its Eurodollar Loans, or its Commitment (such increases in costs and reductions in amounts receivable are hereinafter referred to as "Additional Costs") in each case, only to the extent that such Additional Costs are not included in the Fixed Base Rate applicable to such Eurodollar Loans, then, upon demand made by such Bank as promptly as practicable after it obtains knowledge that such a Regulatory Change exists and determines to make such demand, the Borrower shall pay to such Bank from time to time as specified by such Bank, additional commitment fees or other amounts which shall be sufficient to compensate such Bank for such increased cost or reduction in amounts receivable by such Bank from the date of such change, together with interest on each such amount from the date demanded until payment in full thereof at the Post-Default Rate. All references to any "Bank" shall be deemed to include any participant in such Bank's Commitment.

(c) Without limiting the effect of the foregoing provisions of this Section 2.18, in the event that, by reason of any Regulatory Change, any Bank either: (i) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Bank which includes deposits by reference to which the interest rate on Eurodollar Loans is determined as provided in this Agreement or a category of extensions of credit or other assets of such Bank which includes Eurodollar Loans, or (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets that it may hold, then, if such Bank so elects by notice to the Borrower (with a copy to the other Banks), the obligation of such Bank to make, and to convert Loans of any other type into, Loans of such type hereunder shall be suspended until the date such Regulatory Change ceases to be in effect (and all Loans of such type then outstanding shall be converted into Prime Rate Loans or into Eurodollar Loans of another duration, as the case may be, in accordance with Sections 2.17 and 2.21 hereof).

(d) Determinations by any Bank for purposes of this Section 2.18 of the effect of any Regulatory Change on its costs of making or maintaining Loans or on amounts receivable by it in respect of Loans, and of the additional amounts required to compensate such Bank in respect of any Additional Costs, shall be set forth in writing in reasonable detail and shall be conclusive, absent manifest error.

Section 2.19. Limitation on Types of Loans.

Anything herein to the contrary notwithstanding, if, on or prior to the determination of an interest rate for any Eurodollar Loans for any Interest Period therefor, the Administrative Agent or any Bank determines (which determination shall be conclusive):

(a) by reason of any event affecting the Eurodollar interbank market, quotations of interest rates for the relevant deposits are not being provided in the relevant amounts or for the relevant maturities for purposes of determining the rate of interest for such Loans under this Agreement; or

(b) the rates of interest referred to in the definition of "Fixed Base Rate" in Article 1 hereof upon the basis of which the rate of interest on any Eurodollar Loans for such period is determined, do not accurately reflect the cost to the Banks of making or maintaining such Loans for such period;

then the Administrative Agent or such Bank, as the case may be, shall give the Borrower and the other Banks prompt notice thereof (and shall thereafter give the Borrower and such other Banks prompt notice of the cessation, if any, of such condition), and so long as such condition remains in effect, the Banks shall be under no obligation to make Loans of such type or to convert Loans of any other type into Loans of such type and the Borrower shall, on the last day(s) of the then current Interest Period(s) for the outstanding Loans of the affected type either prepay such Loans in accordance with Section 2.8 hereof or convert such Loans into Loans of another type in accordance with Section 2.17

hereof.

Section 2.20. Illegality.

Notwithstanding any other provision in this Agreement, in the event that it becomes unlawful for any Bank or its Applicable Lending Office to: (i) honor its obligation to make Eurodollar Loans hereunder, or (ii) maintain Eurodollar Loans hereunder, then such Bank shall promptly notify the Borrower thereof (with a copy to the other Banks), describing such illegality in reasonable detail (and shall thereafter promptly notify the Borrower and the other Banks of the cessation, if any, of such illegality), and such Bank's obligation to make Eurodollar Loans and to convert other types of Loans into Eurodollar Loans hereunder shall, upon written notice given by such Bank to the Borrower, be suspended until such time as such Bank may again make and maintain Eurodollar Loans and such Bank's outstanding Eurodollar Loans shall be converted into Prime Rate Loans in accordance with Sections 2.17 and 2.21 hereof.

Section 2.21. Certain Conversions pursuant to Sections 2.18 and 2.20.

If the Loans of any Bank of a particular type (Loans of such type are hereinafter referred to as "Affected Loans" and such type is hereinafter referred to as the "Affected Type") are to be converted pursuant to Section 2.18 or 2.20 hereof, such Bank's Affected Loans shall be converted into Prime Rate Loans, or Eurodollar Loans of another type, as the case may be (the "New Type Loans") on the last day(s) of the then current Interest Period(s) for the Affected Loans (or, in the case of a conversion required by subsection 2.18(c) or Section 2.20 hereof, on such earlier date as such Bank may specify to the Borrower with a copy to the other Banks) and, until such Bank gives notice as provided below that the circumstances specified in Section 2.18 or 2.20 hereof that gave rise to such conversion no longer exist:

(a) to the extent that such Bank's Affected Loans have been so converted, all payments and prepayments of principal that would otherwise be applied to such Affected Loans shall be applied instead to its New Type Loans; and

(b) all Loans that would otherwise be made by such Bank as Loans of the Affected Type shall be made instead as New Type Loans and all Loans of such Bank that would otherwise be converted into Loans of the Affected Type shall be converted instead into (or shall remain as) New Type Loans.

Section 2.22. Indemnity.

The Borrower hereby agrees to indemnify each Bank against any loss or expense which such Bank may sustain or incur as a consequence of any of the following:

(a) the failure of the Borrower to borrow a Eurodollar Loan after agreement shall have been reached on the amount, interest rate and Interest Period thereof;

(b) the receipt or recovery by such Bank, whether by voluntary prepayment, acceleration or otherwise, of all or any part of a Eurodollar Loan prior to the last day of an Interest Period applicable thereto; or

(c) the conversion, prior to the last day of an applicable Interest Period, of a Eurodollar Loan into a Prime Loan.

Without limiting the effect of the foregoing, the amount to be paid by the Borrower to such Bank in order to so indemnify such Bank for any loss occasioned by any of the events described in the preceding paragraph, and as liquidated damages therefor, shall be equal to the excess, discounted to its present value as of the date paid to such Bank, of (i) the amount of interest which otherwise would have accrued on the principal amount so received, recovered, converted or not borrowed during the period (the "Indemnity Period") commencing with the date of such receipt, recovery, conversion, or failure to borrow to the last day of

the applicable Interest Period for such Eurodollar Loan at the rate of interest applicable to such Loan (or the rate of interest agreed to in the case of a failure to borrow) provided for herein (prior to default) over (ii) the amount of interest which would be earned by such Bank during the Indemnity Period if it invested the principal amount so received, recovered, converted or not borrowed at the rate per annum determined by such Bank as the rate it would bid in the London interbank market for a deposit of eurodollars in an amount approximately equal to such principal amount for a period of time comparable to the Indemnity Period.

A certificate as to any additional amounts payable pursuant to this Section 2.22 setting forth the basis and method of determining such amounts shall be conclusive, absent manifest error, as to the determination by such Bank set forth therein if made reasonably and in good faith. The Borrower shall pay any amounts so certified to it by such Bank within 10 days of receipt of any such certificate. For purposes of this Section 2.22, all references to the "Bank" shall be deemed to include any participant in such Bank's Commitment and/or Loans.

The indemnities set forth herein shall survive payment in full of all Eurodollar Loans and all other Loans made pursuant to this Agreement.

Section 2.23. Security.

(a) In order to secure the due payment and performance by the Borrower of the Obligations, simultaneously with the execution and delivery of this Agreement (or such later date as referenced below) the Borrower shall:

(A) Grant to the Administrative Agent for the ratable benefit of the Banks a first Lien on, and pledge to the Administrative Agent for the ratable benefit of the Banks, all of the issued and outstanding shares of the capital stock of Telephonics and Clopay by the execution and delivery to the Administrative Agent of a Pledge Agreement substantially in the form of Exhibit A-2 hereto;

(B) Grant, or cause each of its Subsidiaries to grant, to the Administrative Agent for the ratable benefit of the Banks, all of the issued and outstanding shares of the capital stock of any Eligible Business acquired after the date hereof in a Permitted Acquisition, provided that the foregoing terms of this subsection (B) in respect of Subsidiaries of Clopay and of Telephonics shall be subject to the terms of the proviso at the conclusion of subsection (c) of the definition of "Permitted Acquisition"; and

(C) Execute and deliver or cause to be executed and delivered such other agreements, instruments and documents as the Administrative Agent or any Bank may reasonably require in order to effect the purposes of the Pledge Agreement, this Section 2.23 and this Agreement.

(b) All of the agreements, instruments and documents provided for or referred to in this Section 2.23 are hereinafter sometimes referred to collectively as the "Security Documents".

Article 3 Representations and Warranties.

The Borrower hereby represents and warrants to the Administrative Agent and the Banks that:

Section 3.1. Organization.

(a) Each of the Borrower and each Subsidiary is duly organized and validly existing under the laws of its state of organization and has the power to own its assets and to transact the business in which it is presently engaged and in which it proposes to be engaged. Exhibit B hereto accurately and completely lists, as to the Borrower and each Principal Subsidiary: (i) the state of

incorporation or organization, and the type of legal entity that each of them is, and (ii) the classes and number of authorized and outstanding shares of capital stock of each such corporation, and the owners of such outstanding shares of capital stock (other than with respect to the Borrower). All of the shares of capital stock of the Borrower and each Subsidiary or other equity interests that are issued and outstanding have been duly and validly issued and are fully paid and non-assessable, and are owned by the Persons (other than with respect to the Borrower and any Subsidiary that is not a Principal Subsidiary) referred to on Exhibit B, free and clear of any Lien except as otherwise provided for herein. Except as set forth on Exhibit B, there are no outstanding warrants, options, contracts or commitments of any kind entitling any Person to purchase or otherwise acquire any shares of capital stock or other equity interests of any Subsidiary nor are there outstanding any securities that are convertible into or exchangeable for any shares of capital stock or other equity interests of any Subsidiary. Except as set forth on Exhibit B, neither the Borrower nor any Subsidiary has any Subsidiary.

(b) Each of the Borrower and each Subsidiary is in good standing in its state of organization and in each state in which it is qualified to do business. There are no jurisdictions other than as set forth on Exhibit B hereto in which the character of the properties owned or proposed to be owned by the Borrower or any Principal Subsidiary or in which the transaction of the business of the Borrower or any Principal Subsidiary as now conducted or as proposed to be conducted requires or will require the Borrower or any Principal Subsidiary to qualify to do business and as to which failure to so qualify could have a Material Adverse Effect.

Section 3.2. Power, Authority, Consents.

The Borrower and each Loan Party has the power to execute, deliver and perform the Loan Documents to which it is a party. The Borrower has the power to borrow hereunder and has taken all necessary corporate action to authorize the borrowing hereunder on the terms and conditions of this Agreement. The Borrower and each Loan Party has taken all necessary action, corporate or otherwise, to authorize the execution, delivery and performance of the Loan Documents to which it is a party. No consent or approval of any Person (including, without limitation, any stockholder of the Borrower or any Loan Party), no consent or approval of any landlord or mortgagee, no waiver of any Lien or right of distraint or other similar right and no consent, license, certificate of need, approval, authorization or declaration of any governmental authority, bureau or agency, is or will be required in connection with the execution, delivery or performance by the Borrower or any Loan Party, or the validity, enforcement or priority, of the Loan Documents or any Lien created and granted thereunder, except as set forth on Exhibit C hereto, each of which either has been duly and validly obtained on or prior to the date hereof and is now in full force and effect, or is designated on Exhibit C as waived by the Required Banks.

Section 3.3. No Violation of Law or Agreements.

The execution and delivery by the Borrower and each Subsidiary of each Loan Document to which it is a party and performance by it hereunder and thereunder, will not violate any provision of law applicable to the Borrower and its Subsidiaries and will not, except as set forth on Exhibit C hereto, conflict with or result in a breach of any order, writ, injunction, ordinance, resolution, decree, or other similar document or instrument of any court or governmental authority, bureau or agency, domestic or foreign applicable to the Borrower and its Subsidiaries, or any certificate of incorporation or by-laws of the Borrower or any Subsidiary or create (with or without the giving of notice or lapse of time, or both) a default under or breach of any agreement, bond, note or indenture to which the Borrower or any Subsidiary is a party, or by which it is bound or any of its properties or assets is affected, or result in the imposition of any Lien of any nature whatsoever upon any of the properties or assets owned by or used in connection with the business of the Borrower or any Subsidiary.

Section 3.4. Due Execution, Validity, Enforceability.

This Agreement and each other Loan Document has been duly executed and delivered by the Borrower and each Loan Party and each constitutes the valid and legally binding obligation of the Borrower and each Loan Party, enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally and except that the remedy of specific performance and other equitable remedies are subject to judicial discretion.

Section 3.5. Properties, Priority of Liens; Existing Guarantees.

All of the properties and assets owned by the Borrower and each Subsidiary are owned by each of them, respectively, free and clear of any Lien of any nature whatsoever, except as provided for in the Security Documents, and as permitted by Section 7.2 hereof. The Liens that have been created and granted by the Security Documents constitute valid perfected first Liens on the properties and assets covered by the Security Documents, subject to no prior or equal Lien except as permitted by Section 7.2 hereof. Exhibit K correctly sets forth all Guarantees, Investments in Foreign Loan Parties and other known Contingent Obligations of the Borrower and each of its subsidiaries as of the date hereof.

Section 3.6. Judgments, Actions, Proceedings.

Except as set forth on Exhibit E hereto, there are no outstanding judgments, actions or proceedings, including, without limitation, any Environmental Proceeding, pending before any court or governmental authority, bureau or agency, with respect to or, to the best of the Borrower's knowledge, threatened against or affecting the Borrower or any Subsidiary that would, if adversely determined, in the case of any action or court proceeding, have a Material Adverse Effect, nor, to the best of the Borrower's knowledge, is there any reasonable basis for the institution of any such material action or proceeding that is probable of assertion, nor are there any such actions or proceedings in which the Borrower or any Subsidiary is a plaintiff or complainant.

Section 3.7. No Defaults, Compliance With Laws.

Except as set forth on Exhibit F hereto, neither the Borrower nor any Subsidiary is in default under any agreement, ordinance, resolution, decree, bond, note, indenture, order or judgment to which it is a party or by which it is bound, or any other agreement or other instrument by which any of the properties or assets owned by it or used in the conduct of its business is affected, which default could have a material adverse effect on the business, operations, financial condition or properties of the Borrower and its Subsidiaries on a consolidated basis or on the ability of the Borrower to perform its obligations under the Loan Documents. The Borrower and each Subsidiary has complied and is in compliance in all respects with all applicable laws, ordinances and regulations, resolutions, ordinances, decrees and other similar documents and instruments of all courts and governmental authorities, bureaus and agencies, domestic and foreign, including, without limitation, all applicable Environmental Laws and Regulations, non-compliance with which could have a material adverse effect on the business, operations, financial condition or properties of the Borrower and its Subsidiaries on a consolidated basis or on the ability of the Borrower to perform its obligations under the Loan Documents.

Section 3.8. Burdensome Documents.

Except as set forth on Exhibit G hereto, neither the Borrower nor any Subsidiary is a party to or bound by, nor are any of the properties or assets owned by the Borrower or any Subsidiary used in the conduct of their respective businesses affected by, any agreement, ordinance, resolution, decree, bond,

note, indenture, order or judgment, including, without limitation, any of the foregoing relating to any Environmental Matter, that materially and adversely affects their respective businesses, assets or conditions, financial or otherwise, on a consolidated basis.

Section 3.9. Financial Statements.

Each of the Financial Statements is correct and complete and presents fairly the consolidated financial position, the consolidated results of operations and cash flows of the Borrower and its Subsidiaries, as at and for its date, and has been prepared in accordance with generally accepted accounting principles consistently applied. Neither the Borrower nor any Subsidiary has any material obligation, liability or commitment, direct or contingent (including, without limitation, any Environmental Liability and any Contingent Obligation) , that is required to be but is not reflected in the Financial Statements. There has been no material adverse change in the financial position or operations of the Borrower and its Subsidiaries on a consolidated basis since the date of the latest balance sheet included in the Financial Statements (the "Latest Balance Sheet") which could reasonably result in the Borrower's inability to perform its obligations under the Loan Documents. The Borrower's fiscal year is the twelve-month period ending on September 30th in each year.

Section 3.10. Tax Returns.

Each of the Borrower and each of the Subsidiaries has filed all federal, state and local tax returns required to be filed by it and has not failed to pay any taxes, or interest and penalties relating thereto, on or before the due dates thereof. Except to the extent that reserves therefor are reflected in the Financial Statements: (i) there are no material federal, state or local tax liabilities of the Borrower or any subsidiary due or to become due for any tax year ended on or prior to the date of the Latest Balance Sheet relating to such entity, whether incurred in respect of or measured by the income of such entity, that are not properly reflected in the Latest Balance Sheet relating to such entity, and (ii) there are no material claims pending or, to the knowledge of the Borrower, proposed or threatened against the Borrower or any Subsidiary for past federal, state or local taxes, except those, if any, as to which proper reserves are reflected in the Financial Statements.

Section 3.11. Intangible Assets.

Each of the Borrower and each Subsidiary possesses all patents, trademarks, service marks, trade names, and copyrights, and rights with respect to the foregoing, necessary to conduct its business as now conducted and as proposed to be conducted, without any conflict with the patents, trademarks, service marks, trade names, and copyrights and rights with respect to the foregoing, of any other Person.

Section 3.12. Regulation U.

No part of the proceeds received by the Borrower from the Loans will be used directly or indirectly for: (a) any purpose other than as set forth in Section 2.9 hereof, or (b) the purpose of purchasing or carrying, or for payment in full or in part of Indebtedness that was incurred for the purposes of purchasing or carrying, any "margin stock", as such term is defined in 221.3 of Regulation U of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II, Part 221, other than purchases made in compliance with Regulation U.

Section 3.13. Name Changes, Mergers, Acquisitions.

Except as set forth on Exhibit H hereto, neither the Borrower nor any Principal Subsidiary has within the six-year period immediately preceding the

date of this Agreement changed its name, been the surviving entity of a merger or consolidation, or acquired all or substantially all of the assets of any Person, where the value of the assets acquired in such merger, consolidation or acquisition was material in relation to the total assets of the Borrower and its Subsidiaries on a consolidated basis.

Section 3.14. Full Disclosure.

None of the Financial Statements, nor any certificate, opinion, or any other statement made or furnished in writing to the Administrative Agent or the Banks by or on behalf of the Borrower or any Subsidiary in connection with this Agreement or the transactions contemplated herein, contains any untrue statement of a material fact, or omits to state a material fact necessary in order to make the statements contained therein or herein not misleading, as of the date such statement was made. There is no fact known to the Borrower that has, or would in the foreseeable future have, a Material Adverse Effect, which fact has not been set forth herein, or in the Financial Statements, or any certificate, opinion or other written statement so made or furnished to the Administrative Agent or the Banks.

Section 3.15. Licenses and Approvals.

The Borrower and each of the Subsidiaries has all material licenses, permits and governmental authorizations, including, without limitation, licenses, permits and authorizations relating to Environmental Matters, to own and operate its properties and to carry on its business as now conducted.

Section 3.16. Labor Disputes; Collective Bargaining Agreements;
Employee Grievances.

Except as set forth on Exhibit I hereto: (a) no collective bargaining agreement or other labor contract will expire during the term of this Agreement; (b) to the Borrower's knowledge, no union or other labor organization is seeking to organize, or to be recognized as bargaining representative for, a bargaining unit of employees of the Borrower or any Subsidiary; (c) there is no pending or threatened strike, work stoppage, material unfair labor practice claim or charge, arbitration or other material labor dispute against or affecting the Borrower or any Subsidiary or their representative employees, in each case the consequences of which could reasonably be expected to affect aggregate business (regardless of division or entity) of the Borrower and its Subsidiaries which business generated gross revenues in excess of \$50,000,000 individually or in the aggregate in the prior fiscal year; and (d) there are no actions, suits, charges, demands, claims, counterclaims or proceedings pending or, to the best of the Borrower's knowledge, threatened against the Borrower or any of the Subsidiaries, by or on behalf of, or with, its employees, other than any such actions, suits, charges, demands, claims, counterclaims or proceedings arising in the ordinary course of business that are not, in the aggregate, material.

Section 3.17. Condition of Assets.

All of the assets and properties of the Borrower and the Subsidiaries that are reasonably necessary for the operation of their respective businesses, are in good working condition, ordinary wear and tear excepted, and are able to serve the function for which they are currently being used.

Section 3.18. ERISA.

(a) Except as disclosed on Exhibit J hereto, no Pension Plan or Defined Contribution Plan which is an Employee Benefit Plan including, without limitation, any Multiemployer Plan, exists or has ever, within the six-year period immediately preceding the date of this Agreement, existed and neither the Borrower nor any ERISA Affiliate is a participating employer in any Pension Plan

which is an Employee Benefit Plan in which more than one employer makes contributions as described in Sections 4063 and 4064 of ERISA. Except as disclosed on Exhibit J, neither the Borrower nor any ERISA Affiliate has any contingent liability with respect to any post-retirement benefit under any Employee Welfare Benefit Plan which is a welfare plan (as defined in Section 3(1) of ERISA), other than liability for health plan continuation coverage described in Part 6 of Title I of ERISA, which together with any disclosed liability on Exhibit J, will not have an ERISA MAE. The Borrower has given, made available, or upon request will deliver, to the Administrative Agent and the Banks true and complete copies of all the following: each Pension Plan or Defined Contribution Plan which is an Employee Benefit Plan and related trust agreement (including all amendments and commitments with respect to such Employee Benefit plan or trust) which the Borrower or any ERISA Affiliate maintains or is committed to contribute to as of the date hereof and the most recent summary plan description, actuarial report, determination letter issued by the Internal Revenue Service and Form 5500 filed in respect of each such Employee Benefit Plan; a listing of all of the Multiemployer Plans to which the Borrower or any ERISA Affiliate contributes or is committed to contribute and the aggregate amount of the most recent annual contributions required to be made to each such Multiemployer Plan, and any information which has been provided to the Borrower or any ERISA Affiliate regarding withdrawal liability under any Multiemployer Plan and the collective bargaining agreement pursuant to which such contribution is required to be made.

(b) Each Employee Benefit Plan complies, in both form and operation in all material respects, with its terms, ERISA and the Code including, without limitation, Code Section 4980B, and no condition exists or event has occurred with respect to any such plan which would result in the incurrence by the Borrower or any ERISA Affiliate of any material liability, fine or penalty. Neither the Borrower nor any ERISA Affiliate has incurred any liability to the PBGC which remains outstanding other than the payment of premiums, and there are no premiums which have become due which are unpaid. Neither the Borrower nor any ERISA Affiliate has engaged in any transaction which could subject it to

material liability under Section 4069 or Section 4212(c) of ERISA. Each Employee Benefit Plan, related trust agreement, arrangement and commitment of the Borrower and each ERISA Affiliate is legally valid and binding and in full force and effect. Except as provided on Exhibit J and subject to amendment and submission for a determination letter with regard to the Tax Reform Act of 1986 requirements and other post 1986 requirements, each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code has been determined by the Internal Revenue Service to be so qualified, and each trust related to such plan has been determined to be exempt under Section 501(a) of the Code. To the knowledge of the Borrower, nothing has occurred or is expected to occur that would adversely affect the qualified status of the Employee Benefit Plan or any related trust subsequent to the issuance of such determination letter. No Employee Benefit Plan is being audited or, to the knowledge of the Borrower, investigated by any government agency or subject to any pending or threatened claim or suit.

(c) Each Pension Plan currently meets the minimum funding standard of Section 302 of ERISA and Section 412 of the Code (without regard to any funding waiver). All contributions or payments due and owing as required by Section 302 of ERISA, Section 412 of the Code or the terms of any Pension Plan have been made by the due date for such contributions or payments. With respect to each Multiemployer Plan, the Borrower and each ERISA Affiliate has paid or accrued all contributions pursuant to the terms of the applicable collective bargaining agreement required to be paid or accrued by it and neither the Borrower nor any ERISA Affiliate has incurred any withdrawal liability in connection with a complete withdrawal or partial withdrawal from any Multiemployer Plan that has not been discharged. With respect to each Pension Plan, the market value of assets (exclusive of any contribution due to the Pension Plan) equals or exceeds or is not more than \$250,000 below the present value of benefit liabilities (FAS 35) (assuming such Plan were to continue in existence) as of the latest actuarial valuation date for such plan (but not prior to 24 months prior to the date hereof), determined on the basis of such Pension Plan's actuarial

assumptions set forth in the most recent actuarial report, and since its last valuation date, there have been no amendments to such plan that materially increased the present value of accrued benefits nor any other material adverse changes in the funding status of such plan. Neither the Borrower nor any ERISA Affiliate is required to provide security to a Pension Plan pursuant to Section 307 of ERISA or Section 401(a) (29) of the Code.

(d) Neither the Borrower nor any ERISA Affiliate, nor, to the best of the Borrower's knowledge, any fiduciary of any Employee Benefit Plan, has engaged in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code with regard to any such Employee Benefit Plans. The execution, delivery and carrying out of the terms of any agreements that are related to this transaction will not constitute a prohibited transaction under the aforementioned sections.

(e) No Termination Event has occurred or is reasonably expected to occur.

(f) None of the following "reportable events" which are subject to the 30-day notice requirement of Section 4043(b) of ERISA in respect of any of the Pension Plans has occurred: (i) an inability to pay benefits when due, (ii) bankruptcy or insolvency of the sponsor of the Pension Plan, (iii) liquidation or dissolution of the sponsor of the Pension Plan, (iv) a failure to meet the minimum funding standards, or (v) certain transactions involving a change of employer. The Borrower has not received any notice from the PBGC that any of the Pension Plans is being involuntarily terminated or from the Secretary of the Treasury that any partial or full termination of any of the Employee Benefit Plans has occurred and no event shall have occurred, and there shall exist as of the date hereof no condition or set of circumstances which present a material risk of the involuntary termination of any of the Pension Plans.

(g) All references to the Borrower in this Section 3.18 or in any other Section of this Agreement relating to ERISA shall be deemed to refer to the Borrower, and any other entity which is considered an ERISA Affiliate.

(h) All references in this Section 3.18, and in other provisions of this Agreement relating to ERISA, to materiality or material liability or similar phrases shall be deemed to refer to the event or matter described both individually and when taken together in the aggregate with respect to all other events and matters referred to in this Agreement relating to ERISA as to which a materiality standard applies.

Section 3.19. Year 2000 Issue.

The Borrower and its Subsidiaries are addressing the effect of the Year 2000 Issue on the computer software, hardware and firmware systems and equipment containing embedded microchips owned or operated by or for the Borrower and its Subsidiaries or used or relied upon in the conduct of their business (including systems and equipment supplied by others or with which such computer systems of the Borrower and its Subsidiaries interface). The costs to the Borrower and its Subsidiaries of any reprogramming required as a result of the Year 2000 Issue to permit the proper functioning of such systems and equipment and the proper processing of data, and the testing of such reprogramming, and of the reasonably foreseeable consequences of the Year 2000 Issue to the Borrower or any of its Subsidiaries (including reprogramming errors and the failure of systems or equipment supplied by others) are not reasonably expected to result in a Default or Event of Default or to have a Material Adverse Effect.

Article 4 Conditions to the Loans.

Section 4.1. Conditions to Initial Loans.

The obligation of each Bank to make the initial Loan to be made by it hereunder shall be subject to the fulfillment of the following conditions precedent:

(a) The Borrower shall have executed and delivered to each Bank its Note.

(b) The Borrower shall have executed and delivered to the Banks the Pledge Agreement together with the certificates evidencing the capital stock of Telephonics and Clopay, accompanied by stock powers duly endorsed in blank and undated, and irrevocable proxies relating thereto;

(c) The Borrower shall have paid to the Administrative Agent (for the ratable benefit of the Banks) the Facility Fee.

(d) The Borrower shall have paid all amounts required to be paid by Section 2.7(c) and the Administrative Agent shall have received all fees and other amounts due and payable to the Administrative Agent under the Loan Documents on or prior to the date hereof.

(e) Blau, Kramer, Wactlar & Lieberman, P.C., general counsel to the Borrower and the Subsidiaries shall have delivered its opinion to, and in form and substance satisfactory to, the Banks.

(f) The Administrative Agent shall have received and reviewed to its satisfaction copies of the following:

(i) All of the consents, approvals and waivers referred to on Exhibit C hereto (except only those which, as stated on Exhibit C, shall not be delivered);

(ii) The certificate of incorporation of the Borrower and each Principal Subsidiary certified by the Secretary of State of its state of incorporation;

(iii) The by-laws of the Borrower and each Principal Subsidiary certified by its secretary or assistant secretary;

(iv) All corporate action taken by the Borrower to authorize the execution, delivery and performance of the Loan Documents and the transactions contemplated thereby, certified by its secretary or assistant secretary, including, without limitation, resolutions of the Board of Directors of the Borrower;

(v) Good standing certificates as of dates not more than forty (40) days prior to the date of the initial Loan, with respect to the Borrower and each Principal Subsidiary from the Secretary of State of its state of incorporation and each state in which it is qualified to do business;

(vi) An incumbency certificate (with specimen signatures) with respect to the Borrower; and

(vii) Lien searches from such jurisdictions and in such names as the Banks may request.

(g) (i) The Borrower and each Subsidiary shall have complied and shall then be in compliance with all of the terms, covenants and conditions of this Agreement;

(ii) After giving effect to the initial Loan, there shall exist no Default or Event of Default hereunder; and

(iii) The representations and warranties contained in Article 3 hereof and in the other Loan Documents shall be true and correct on the date hereof;

and the Administrative Agent shall have received a Compliance Certificate dated the date hereof certifying, inter alia, that the conditions set forth in this subsection 4.1(g) are satisfied on such date.

(h) All legal matters incident to the initial Loans shall be satisfactory to counsel to the Administrative Agent and each Bank.

Section 4.2. Conditions to Subsequent Loans.

The obligation of each Bank to make each Loan subsequent to its initial

Loan shall be subject to the fulfillment of the condition precedent that the Administrative Agent shall have received a Borrowing Notice in accordance with Section 2.2 hereof, containing, in addition to the notice of borrowing, a representation by the Borrower (signed by the president or chief financial officer of the Borrower) that (i) no Default or Event of Default has occurred and is continuing and (ii) the representations and warranties made by the Borrower under Section 3.9 hereof shall be correct on and as of the borrowing date for such extension of credit as if made on and as of such date.

Article 5 Delivery of Financial Reports, Documents and Other Information.

While the Commitments are outstanding, and, in the event any Loan remains outstanding, so long as the Borrower is indebted to the Banks under this Agreement, and until payment in full of the Notes and full and complete performance of all of its other obligations arising hereunder, the Borrower shall deliver to the Administrative Agent and each Bank:

Section 5.1. Annual Financial Statements.

Annually, as soon as available, but in any event within one hundred (100) days after the last day of each of its fiscal years, a consolidated balance sheet of the Borrower and the Subsidiaries as at such last day of the fiscal year, and consolidated statements of income, shareholders' equity and cash flows, for such fiscal year, each prepared in accordance with generally accepted accounting principles consistently applied, in reasonable detail, and certified without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit by Arthur Andersen LLP or another firm of independent certified public accountants satisfactory to the Banks, which shall state that such consolidated financial statements present fairly the consolidated financial position, the consolidated results of operations and cash flows of the Borrower as at and for the year ending on its date and as having been prepared in accordance with generally accepted accounting principles.

Section 5.2. Quarterly Financial Statements.

As soon as available, but in any event within (i) seventy (70) days after the end of each of the Borrower's first three fiscal quarterly periods and (ii) one hundred, (100) days after the end of each of the Borrower's fourth fiscal quarterly periods, a consolidated and consolidating balance sheet of the Borrower and the Subsidiaries as of the last day of such quarter and consolidated and consolidating statements of income and cash flows, for such quarter, and on a comparative basis figures for the corresponding period of the immediately preceding fiscal year, all in reasonable detail, each such statement to be certified in a certificate of the president or chief financial officer of the Borrower and the Subsidiaries as fairly presenting the consolidated and consolidating financial position, the consolidated and consolidating results of operations and cash flows of the Borrower as at its date and for such quarter and as having been prepared in accordance with generally accepted accounting principles consistently applied (subject to year-end audit adjustments).

Section 5.3. Projections.

Annually, as soon as available, but in any event within 60 days after the last day of each of the Borrower's fiscal years, consolidated and consolidating projections of the Borrower and the Subsidiaries for the following five (5) fiscal years of the Borrower.

Section 5.4. Compliance Information.

Promptly after a written request therefor, such other financial data or information evidencing compliance with the requirements of this Agreement, the Notes and the other Loan Documents, as any Bank may reasonably request from time

to time.

Section 5.5. No Default Certificate.

At the same time as it delivers the financial statements required under the provisions of Section 5.2 hereof, a certificate of the president or chief financial officer of the Borrower to the effect that no Default or Event of Default hereunder and that no default under any other agreement to which the Borrower or any of the Subsidiaries is a party or by which it is bound, or by which, to the best knowledge of the Borrower or any Subsidiary any of its properties or assets, taken as a whole, may be materially adversely affected, and no event which, with the giving of notice or the lapse of time, or both, would constitute such an Event of Default or default, exists, or, if such cannot be so certified, specifying in reasonable detail the exceptions, if any, to such statement. Such certificate shall be accompanied by a detailed calculation indicating compliance with the covenants contained in Sections 6.9, 7.3 and 7.8 (other than 7.8(a)) hereof.

Section 5.6. Certificate of Accountants.

At the same time as it delivers the financial statements required under the provisions of Section 5.1 hereof, a certificate of the independent certified public accountants of the Borrower to the effect that during the course of their audit of the operations of the Borrower and its condition as of the end of the fiscal year, nothing has come to their attention which would indicate that the Borrower was not in compliance with any of the terms, covenants, provisions or conditions of Section 6.9 or Article 7 insofar as they relate to accounting matters, or, if such cannot be so certified, specifying in reasonable detail the exceptions, if any, to such statement.

Section 5.7. Accountants, Reports.

Promptly upon receipt thereof, copies of all other reports submitted to the Borrower by its independent certified public accountants in connection with any annual or interim audit or review of the books of the Borrower made by such accountants.

Section 5.8. Copies of Documents.

(a) Promptly upon their becoming available, copies of any: (i) financial statements, projections, and requests for waivers, in each case, delivered by the Borrower or any of the Subsidiaries to any lending institution other than the Banks; (ii) correspondence or notices received by the Borrower from any federal, state or local governmental authority that regulates the operations of the Borrower or any of its Subsidiaries or relating to an actual or threatened change or development that would be materially adverse to the Borrower or any Subsidiary; (iii) registration statements and any amendments and supplements thereto, and any regular and periodic reports, if any, filed by the Borrower or any of its Subsidiaries with any securities exchange or with the Securities and Exchange Commission or any governmental authority succeeding to any or all of the functions of the said Commission; and (iv) any other items which the Banks may reasonably request.

(b) Promptly upon request by any Bank, copies of all acquisition agreements, exhibits, schedules, documents and other agreements relating to any Permitted Acquisition (as and when available and whether in draft or final form).

Section 5.9. Certain Notices.

Promptly, notice of the occurrence of any Default or Event of Default, or

any event that would constitute or cause a material adverse change in the condition, financial or otherwise, or the operations of the Borrower or any of its Subsidiaries on a consolidated basis.

Section 5.10. ERISA Notices and Requests.

Notice of any of the following within twenty (20) days after such event or occurrence:

(a) the Borrower or any ERISA Affiliate knowing or having reason to know that a Termination Event has occurred or that a Defined Contribution Plan has been terminated or partially terminated, and a written statement by the appropriate chief financial officer setting forth the details of such event;

(b) the filing of a request for a funding waiver by the Borrower or any ERISA Affiliate with respect to any Pension Plan, and a copy of such request and all communications received by the Borrower or any ERISA Affiliate with respect to such request;

(c) receipt by the Borrower or any ERISA Affiliate of a notice of the PBGC's intent to terminate a Pension Plan, and a copy of such notice;

(d) the Borrower or any ERISA Affiliate failing to make a required installment or payment under Section 302 of ERISA or Section 412 of the Code by the due date, and a written notice of such failure;

(e) the Borrower or any ERISA Affiliate knowing or having reason to know that a prohibited transaction (as defined in Section 406 of ERISA or Section 4975 of the Code) has occurred with respect to any Employee Benefit Plan, and a written statement of the appropriate chief financial officer describing such transaction and the action taken;

(f) the establishment of a Pension Plan and written notice of such occurrence;

(g) receipt by the Borrower or any ERISA Affiliate of any disqualification notice from the Internal Revenue Service regarding the qualification of a Pension Plan under Section 401(a) of the Code and a copy of such letter;

(h) upon the request of any Bank, the filing of an annual report (Form 5500 series), including Schedule B thereto, filed by the Borrower or any ERISA Affiliate with respect to a Employee Benefit Plan, and a copy of such report;

(i) upon request of any Bank, receipt by the Borrower or any ERISA Affiliate of an actuarial report for any Pension Plan, and a copy of such report;

(j) receipt by the Borrower or any ERISA Affiliate of all correspondence from the PBGC, the Secretary of Labor or any representative of the IRS with respect to any Employee Benefit Plans, relating to an actual or threatened change or development which would have a materially adverse effect on Borrower's business; and

(k) receipt by the Borrower or any ERISA Affiliate of any correspondence from a Multiemployer Plan with respect to withdrawal liability.

Section 5.11. Permitted Acquisition Deliveries.

Not later than ten (10) Business Days after the consummation of a Permitted Acquisition, (i) on a pro forma basis after giving effect to the proposed acquisition and based on reasonable assumptions made by the Borrower in good faith, a consolidated and consolidating balance sheet of the Borrower, its subsidiaries and each Eligible Business, and a related consolidated and consolidating statement of income and statements of cash flow for the three (3) fiscal years following the date of such acquisition, each such statement (1) to show all deferred and contingent payments which the Borrower or the Eligible

Business, as applicable, directly or indirectly, would be required to make based on the Eligible Business' projected pro forma results of operations, and (2) to be accompanied by a certificate of the chief financial officer of the Borrower certifying that after giving effect to the acquisition, no Default or Event of Default has occurred and is continuing, which certificate shall be accompanied by a list of Liens, Indebtedness, guaranties and letters of credit incurred or otherwise assumed in connection with such acquisition and such other information as the Administrative Agent or any Bank may reasonably request.

Article 6 Affirmative Covenants.

While the Commitments are outstanding, and, in the event any Loan remains outstanding, so long as the Borrower is indebted to the Banks under this Agreement, and until payment in full of the Notes and full and complete performance of all of its other obligations arising hereunder, the Borrower shall and shall cause each Subsidiary to:

Section 6.1. Books and Records.

Keep proper books of record and account in which full, true and correct entries shall be made of all dealings or transactions in relation to its business and activities.

Section 6.2. Inspections and Audits.

Permit the Administrative Agent and the Banks (i) to make or cause to be made (and, after the occurrence of and during the continuance of an Event of Default, at the Borrower's expense), inspections and audits of any books, records and papers of the Borrower and each of its Subsidiaries and to make extracts therefrom and copies thereof and (ii) make inspections and examinations of any properties' and facilities of the Borrower and the Subsidiaries on reasonable notice, at all such reasonable times and as often as the Administrative Agent or any Bank may reasonably require, in order to assure the Administrative Agent and each Bank that the Borrower is and will be in compliance with its obligations under the Loan Documents or to evaluate any Bank's investment in the then outstanding Notes.

Section 6.3. Maintenance and Repairs.

Maintain in good repair, working order and condition, subject to normal wear and tear, all material properties and assets from time to time owned by it and used in or necessary for the operation of its business, and make all reasonable repairs, replacements, additions and improvements thereto.

Section 6.4. Continuance of Business.

Do, or cause to be done, all things reasonably necessary to preserve and keep in full force and effect its corporate existence and all permits, rights and privileges necessary for the proper conduct of its business and continue to engage in the same line of business and comply in all material respects with all applicable laws, regulations and orders.

Section 6.5. Copies of Corporate Documents.

Promptly deliver to the Administrative Agent and the Banks copies of any amendments or modifications to its and any Subsidiary's certificate of incorporation and by-laws, certified with respect to the certificate of incorporation by the Secretary of State of its state of incorporation and, with respect to the by-laws, by the secretary or assistant secretary of such corporation.

Section 6.6. Perform Obligations.

Pay and discharge all of its obligations and liabilities, including, without limitation, all taxes, assessments and governmental charges upon its income and properties when due, unless and to the extent only that such obligations, liabilities, taxes, assessments and governmental charges shall be contested in good faith and by appropriate proceedings and that, to the extent required by generally accepted accounting principles then in effect, proper and adequate book reserves relating thereto are established by the Borrower, or, as the case may be, by the appropriate Subsidiary and then only to the extent that a bond is filed in cases where the filing of a bond is necessary to avoid the creation of a Lien, other than a Permitted Lien, against any of its properties.

Section 6.7. Notice of Litigation.

Promptly notify the Administrative Agent and the Banks in writing of any litigation, legal proceeding or dispute (including, without limitation, any Environmental Proceeding), other than disputes in the ordinary course of business or, whether or not in the ordinary course of business, involving amounts in excess of One Million (\$1,000,000) Dollars, affecting the Borrower, any Subsidiary or any Eligible Business whether or not fully covered by insurance, and regardless of the subject matter thereof (excluding, however, any actions relating to workers' compensation claims or negligence claims relating to use of motor vehicles, if fully covered by insurance, subject to deductibles).

Section 6.8. Insurance.

(a) (i) Maintain with responsible insurance companies such insurance on such of its properties, in such amounts and against such risks as is customarily maintained by similar businesses; (ii) file with the Administrative Agent and each of the Banks upon its request a detailed list of the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, the dates of the expiration thereof and the properties and risks covered thereby; and (iii) within ten (10) days after notice in writing from the Administrative Agent or any of the Banks, obtain such additional insurance as the Administrative Agent or any Bank may reasonably request; provided, that, the Borrower may maintain self-insurance consistent with its past practices and policies; and

(b) Carry all insurance available through the PBGC or any private insurance companies covering its obligations to the PBGC. Section

6.9. Financial Covenants.

Have or maintain, on a consolidated basis:

(a) As of the end of each fiscal quarter, a Quick Ratio of not less than 1.10 to 1.00.

(b) As of the end of each fiscal quarter, on a rolling four quarter basis, a Funded Debt to Cash Flow Ratio for the most recently completed four fiscal quarters at not more than 4.00 to 1.00.

(c) As of the end of each fiscal quarter, a ratio of (i) Unsubordinated Liabilities of the Borrower and its Subsidiaries to (ii) the sum of Tangible Net Worth plus Subordinated Debt of the Borrower and its Subsidiaries at not more than 2.00 to 1.00.

(d) A Domestic Funded Debt Coverage Ratio of not more than (i) 4.50 to 1.00 as of the end of each fiscal quarter ending during the period from June 30, 1999 through and including December 31, 1999, on a rolling four quarter basis, and (ii) 4.00 to 1.00 as of the end of each fiscal quarter ending after December 31, 1999, on a rolling four quarter basis.

(e) As of the end of each fiscal quarter, on a rolling four quarter basis, a Domestic Debt Service Coverage Ratio of not less than 2.50 to 1.00. Section

6.10. Notice of Certain Events.

(a) Promptly notify the Administrative Agent and the Banks in writing of the occurrence of any "Reportable Event", as defined in Section 4043 of ERISA, if a notice of such Reportable Event is required under ERISA to be delivered to the PBGC within 30 days after the occurrence thereof, together with a description of such Reportable Event and a statement of the action the Borrower or any ERISA Affiliate intends to take with respect thereto, together with a copy of the notice thereof given to the PBGC.

(b) Promptly notify the Administrative Agent and the Banks in writing of the receipt by the Borrower or any ERISA Affiliate of an assessment of withdrawal liability in connection with a complete or partial withdrawal with respect to any Multiemployer Plan, which liability of the Borrower and/or any ERISA Affiliate may exceed \$1,000,000 in aggregate amount, and a statement of the action that the Borrower or any ERISA Affiliate intends to take with respect thereto.

(c) Promptly notify the Administrative Agent and the Banks in writing if the Borrower or any Subsidiary receives: (i) any notice of any violation or administrative or judicial complaint or order having been filed or about to be filed against the Borrower or such subsidiary alleging violations of any Environmental Law and Regulation which could reasonably be expected to result in liability to the Borrower or any subsidiary in excess of \$1,000,000, or (ii) any notice from any governmental body or any other Person alleging that the Borrower or such Subsidiary is or may be subject to any Environmental Liability in excess of \$1,000,000; and promptly upon receipt thereof, provide the Banks with a copy of such notice together with a statement of the action the Borrower or such Subsidiary intends to take with respect thereto.

Section 6.11. Comply with ERISA.

Materially comply with all applicable provisions of ERISA and the Code now or hereafter in effect.

Section 6.12. Environmental Compliance.

Operate all property owned or leased by it such that no obligation, including a clean-up obligation, shall arise under any Environmental Law and Regulation, which obligation would constitute a Lien on any property of the Borrower or any of its Subsidiaries; provided, however, that in the event that any such claim is made or any such obligation arises, the Borrower or such Subsidiary shall, at its own cost and expense:

(a) provide the Administrative Agent and the Banks with prompt written notice with respect to any suit or claim initiated or threatened against the Borrower or any of its Subsidiaries involving liability in excess of \$1,000,000; and

(b) either: (i) immediately satisfy such claim or obligation; or (ii) contest such claim by appropriate proceedings and upon final judgment (subject to no further appeal) immediately satisfy such judgment; provided, however, that, in all such cases, the Borrower shall file a bond when necessary to avoid the creation of a Lien against any of its or any of its Subsidiaries' properties; and provided, further, that the Borrower shall indemnify and hold harmless the Administrative Agent and the Banks from any liability, responsibility or obligation in respect thereof or in respect of any clean-up or any other liability, as successor, secured party or otherwise for any reason, including, without limitation the enforcement of the Administrative Agent and/or the Banks' rights under any Loan Document or by operation of law.

Section 6.13. Year 2000 Issue.

Take, and cause each of its Principal Subsidiaries to take, all necessary action to complete in all material respects by October 31, 1999, the reprogramming of computer software, hardware and firmware systems and equipment containing embedded microchips owned or operated by or for the Borrower and its Subsidiaries or used or relied upon in the conduct of their business (including systems and equipment supplied by others or with which such systems of the Borrower or any of its Subsidiaries interface) required as a result of the Year 2000 Issue to permit the proper functioning of such computer systems and other equipment and the testing of such systems and equipment, as so reprogrammed. At the request of the Administrative Agent or any Bank, the Borrower shall provide, and shall cause each of its Subsidiaries to provide, to the Administrative Agent and each Bank reasonable assurance of its compliance with the preceding sentence.

Section 6.14. Projections.

Take all necessary action to ensure that the Projections when delivered reflect as of the date thereof the Borrower's good faith projections, after reasonable analysis, of the matters set forth therein.

Article 7 Negative Covenants.

While the Commitments are outstanding, and, in the event any Loan remains outstanding, so long as the Borrower is indebted to the Banks under this Agreement, and until payment in full of the Notes and full and complete performance of all of its other obligations arising hereunder, the Borrower shall not and shall not permit any of its Subsidiaries to do or agree to do, or permit to be done, any of the following:

Section 7.1. Indebtedness.

Create, incur, permit to exist or have outstanding any Indebtedness that would violate the terms of this Agreement.

Section 7.2. Liens.

Create, or assume or permit to exist, any Lien on any of the properties or assets of the Borrower or any of its Subsidiaries whether now owned or hereafter acquired, except:

- (a) Permitted Liens;
- (b) Liens in favor of the Banks under the Loan Documents;
- (c) Purchase money mortgages or security interests, conditional sale arrangements and other similar security interests, on property acquired by the Borrower or any Subsidiary (hereinafter referred to individually as a "Purchase Money Security Interest") with the proceeds of Indebtedness; provided, however, that:
 - (i) The transaction in which any Purchase Money Security Interest is proposed to be created is not then prohibited by this Agreement;
 - (ii) Any Purchase Money Security Interest shall attach only to the property or asset acquired in such transaction and shall not extend to or cover any other assets or properties of the Borrower or, as the case may be, a Subsidiary;
 - (iii) The Indebtedness secured or covered by any Purchase Money Security Interest is secured solely by such Purchase Money Security Interest and shall not exceed the cost of the property or asset acquired; and

(iv) Such Indebtedness may be refinanced provided that the principal amount of such outstanding Indebtedness is not increased;

(d) The interests of the lessor under any Capitalized Lease as permitted hereunder;

(e) Liens on specifically identified inventory and accounts receivable covered by bankers acceptances resulting from import letters of credit which do not cover any assets other than those financed with such bankers acceptances;

(f) Liens securing Indebtedness permitted to exist in accordance with the terms of Section 7.4 hereof in connection with a Permitted Acquisition which Liens are of the type otherwise permitted under subsections 7.2(a), (c), (d) and (e) hereof, provided that (i) such Liens were existing prior to the Permitted Acquisition in which such Indebtedness was assumed or acquired and not created in contemplation of such Permitted Acquisition, and (ii) such Liens shall only attach to or encumber the property and assets acquired in the Permitted Acquisition in which such Indebtedness was assumed or acquired and shall not attach to or encumber any other property or assets of the Borrower or any subsidiary (including, without limitation, any Eligible Business);

(g) As set forth on Exhibit D hereto;

(h) Liens on the properties or assets of Finotech securing Indebtedness of Finotech not in excess of an aggregate of \$32,000,000 at any one time outstanding and liens on the properties or assets of Bohme not in excess of an aggregate of \$35,000,000 at any one time outstanding; and

(i) Liens on the properties or assets of Clopay Service or any subsidiaries of Clopay Service securing Indebtedness of Clopay Service and any subsidiaries of Clopay Service not in excess of any aggregate of \$5,000,000 at any one time outstanding.

Section 7.3. Guaranties.

Assume, endorse, be or become liable for, or guarantee, (a) the obligations of any Person (except by the endorsement of negotiable instruments for deposit or collection in the ordinary course of business), or (b) any Limited Contingent Obligations, except (i) as set forth on Exhibit K hereto, (ii) guarantees of the Borrower and its Subsidiaries not in excess of an aggregate of \$5,000,000 at any one time outstanding, (iii) guarantees by the Borrower or any Subsidiary of obligations of the Subsidiaries; provided, that the Borrower or any Domestic Loan Party may guarantee the Indebtedness of any Foreign Loan Party as long as the aggregate amount of Indebtedness which is so guaranteed does not in the aggregate at any one time outstanding exceed the sum of \$20,000,000 plus the aggregate amount of such guaranteed Indebtedness outstanding as of June 30, 1999, (iv) guarantees by a Subsidiary of obligations of the Borrower under leases for real or personal property, provided, that such Subsidiary will utilize all or a portion of such property, and (v) other Limited Contingent Obligations not described in the preceding clauses (i) through (iv) of the Borrower and the Subsidiaries not in excess of an aggregate amount of 20% of the consolidated Tangible Net Worth of the Borrower and its Subsidiaries (as computed at any time as shown on the Borrower's Financial Statements most recently delivered to the Banks) at any one time outstanding. For the purposes hereof, the term "guarantee" shall include any agreement, whether such agreement is on a contingency or otherwise, to purchase, repurchase or otherwise acquire Indebtedness of any other Person, or to purchase, sell or lease, as lessee or lessor, property or services, in any such case primarily for the purpose of enabling another person to make payment of Indebtedness, or to make any payment (whether as an advance, capital contribution, purchase of an equity interest or otherwise) to assure a minimum equity, asset base, working capital or other balance sheet or financial condition, in connection with the Indebtedness of another Person, or to supply funds to or in any manner invest in another Person in connection with such Person's Indebtedness.

Section 7.4. Mergers, Acquisitions.

Merge or consolidate with any Person (whether or not the Borrower or any Subsidiary is the surviving entity), or acquire all or substantially all of the assets or any of the capital stock of any Person; provided, however, that (i) any Subsidiary may merge with and into any other Subsidiary or the Borrower (so long as the Borrower or a wholly-owned Subsidiary is the surviving entity) and (ii) the Borrower or any Subsidiary may make Permitted Acquisitions.

Section 7.5. Redemptions; Distributions.

Upon the occurrence and during the continuance of a Default or Event of Default, or if a Default or Event of Default would be caused thereby:

(a) Purchase, redeem, retire or otherwise acquire, directly or indirectly, or make any sinking fund payments with respect to, any shares of any class of stock of the Borrower now or hereafter outstanding or set apart any sum for any such purpose; or

(b) Declare or pay any dividends or make any distribution of any kind on the Borrower's outstanding stock, or set aside any sum for any such purpose, except that the Borrower may declare or pay any dividend payable solely in shares of its capital stock.

Section 7.6. Stock Issuance.

Issue any additional shares or any right or option to acquire any shares, or any security convertible into any shares, of the capital stock of any Subsidiary, except (a) in connection with stock dividends permitted under subsection 7.5(b) hereof and (b) to the Borrower or a Subsidiary.

Section 7.7. Changes in Business and Sales or Pledges of Assets.

Make any material change in its business on a consolidated basis, or in the nature of its operation, or liquidate or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, assign, transfer or otherwise dispose of any of its property, assets or business except in the ordinary course of business and for a fair consideration or dispose of any shares of stock (other than sales or issuances of the Borrower's treasury stock) or any Indebtedness, whether now owned or hereafter acquired, or discount, sell, pledge, hypothecate or otherwise dispose of accounts receivable, except in the ordinary course of business and for fair consideration; provided, however, that the Borrower or any Subsidiary may convey, sell, lease, assign, transfer or otherwise dispose of (a) its property and assets the fair market value of which does not exceed in the aggregate in any fiscal year three percent (3%) of the consolidated assets of the Borrower and its Subsidiaries as of the end of the immediately preceding fiscal year for fair consideration, (b) the capital stock of any Subsidiary (i) the net revenues of which do not exceed three percent (3%) of the consolidated net revenues of the Borrower and its subsidiaries or (ii) the assets of which do not exceed three percent (3%) of the consolidated assets of the Borrower and its Subsidiaries; provided, however, that in no event may the Borrower or any subsidiary convey, sell, lease, assign, transfer or otherwise dispose of any capital stock that is at any time pledged to the Banks pursuant to the Security Documents and (c) all or any portion of the current property and assets of Lightron, Standard-Keil and Western Synthetic.

Section 7.8. Investments.

Make, or suffer to exist, any Investment in any Person, including, without limitation, any shareholder, director, officer or employee of the Borrower or any of the Subsidiaries, except Investments which do not in the aggregate, exceed \$1,000,000 and:

(a) Investments in:

(i) obligations issued or guaranteed by the United States of America;

(ii) certificates of deposit, bankers acceptances and other "money market instruments" issued by any bank or trust company organized under the laws of the United States of America or any State thereof and having capital and surplus in an aggregate amount of not less than \$100,000,000;

(iii) open market commercial paper bearing the highest credit rating issued by Standard & Poor's Corporation or by another nationally recognized credit rating agency;

(iv) repurchase agreements entered into with any bank or trust company organized under the laws of the United States of America or any State thereof and having capital and surplus in an aggregate amount of not less than \$100,000,000 relating to United States of America government obligations;

(v) shares of "money market funds", each having net assets of not less than \$100,000,000; and

(vi) corporate bonds rated at least AA or the equivalent thereof by Standard & Poor's Corporation or Aa or the equivalent thereof by Moody's Investors Service, Inc.;

in each case maturing or being due or payable in full not more than 180 days after the Borrower's acquisition thereof;

(b) Investments by the Borrower or any Subsidiary in entities related to the business of the Borrower or any Subsidiary in an aggregate amount not to exceed \$5,000,000;

(c) Investments, other than guarantees permitted by Section 7.3, by the Borrower or any Subsidiary in any majority-owned Subsidiary of the Borrower or any Subsidiary; provided, that the Borrower or any Domestic Loan Party may make an Investment in any Foreign Loan Party as long as the aggregate amount of such Investments does not in the aggregate at any one time outstanding exceed the sum of \$10,000,000 plus the aggregate amount of such Investments that are outstanding as of June 30, 1999; and

(d) Permitted Acquisitions by the Borrower or any subsidiary pursuant to Section 7.4 hereof.

Section 7.9. Fiscal Year.

Change its fiscal year.

Section 7.10. ERISA Obligations.

The Borrower will not:

(a) permit the occurrence of any Termination Event, or the occurrence of a termination or partial termination of a Defined Contribution Plan which would have a material adverse effect on the Borrower; or

(b) permit any accumulated deficiency (as defined in Section 302 of ERISA and Section 412 of the Code) in excess of \$1,000,000 in the aggregate liability to the Borrower and its ERISA Affiliates with respect to all Pension Plans, whether or not waived; or

(c) engage, or permit the Borrower or any ERISA Affiliate to engage, in any prohibited transaction under Section 406 of ERISA or Section 4975 of the Code for which a civil penalty pursuant to Section 502(i) of ERISA or a tax pursuant to Section 4975 of the Code which would have a material adverse effect on the Borrower; or

(d) engage or permit the Borrower or any ERISA Affiliate to engage, in any breach of fiduciary duty under Part 4 of Title I of ERISA for which 20 percent of the applicable recovery amount under Section 502(l) of ERISA which would have a material adverse effect on the Borrower; or

(e) fail, or permit any ERISA Affiliate to fail, to establish, maintain and operate each Employee Benefit Plan in compliance in all material respects with the provisions of ERISA, the Code and all other applicable laws and the regulations and interpretations thereof.

Section 7.11. Reserved.

Section 7.12. Transactions with Affiliates.

Except as expressly permitted by this Agreement, directly or indirectly: (a) make any Investment in an Affiliate; (b) transfer, sell, lease, assign or otherwise dispose of any assets to an Affiliate; (c) merge into or consolidate with or purchase or acquire assets from an Affiliate; or (d) enter into any other transaction directly or indirectly with or for the benefit of any Affiliate (including, without limitation, guarantees and assumptions of obligations of an Affiliate) ; provided, however, that: (i) payments on Investments expressly permitted by Section 7.8 hereof may be made, (ii) any Affiliate who is a natural person may serve as an employee or director of the

Borrower and receive reasonable compensation for his services in such capacity, (iii) the Borrower may enter into any transaction with an Affiliate providing for the leasing of property, the rendering or receipt of services or the purchase or sale of product, inventory and other assets in the ordinary course of business if the monetary or business consideration arising therefrom would be substantially as advantageous to the Borrower as the monetary or business consideration that would obtain in a comparable arm's length transaction with a Person not an Affiliate and (iv) the Borrower or any Subsidiary may make loans to Persons who are stockholders, officers or directors of the Borrower or a Subsidiary which do not, in the aggregate, exceed \$250,000; provided, however, that for purposes of this Section 7.12 an Affiliate shall not be deemed to include a Subsidiary of the Borrower.

Section 7.13. Hazardous Material.

(a) Cause or permit (i) any "Hazardous Material" (as defined in any applicable Environmental Laws and Regulations) to be placed, held, located or disposed of, on, under or at any real property used in connection with the operation of the business of the Borrower or any of its Subsidiaries ("Real Property") or any part thereof, except for such Hazardous Materials which are necessary for the Borrower's operation of its business thereon and which shall be used, stored and disposed of in compliance with all applicable Environmental Laws and Regulations or (ii) such Real Property or any part thereof to be used as a collection, storage or dump site for any Hazardous Material.

(b) The Borrower and each Subsidiary acknowledges and agrees that the Banks shall have no liability or responsibility for either:

(i) damage, loss, or injury to human health, the environment or natural resources caused by the presence, disposal, release or threatened release of Hazardous Materials on any part of such real property;

or (ii) abatement and/or clean-up required under any applicable Environmental Laws and Regulations for a release, threatened release or disposal of any Hazardous Materials located at such real property or used by or in connection with the Borrower's or any Subsidiary's or any such tenant's business.

Section 7.14. Regulation U.

Not use any part of the proceeds received by the Borrower from the Loans directly or indirectly for: (a) any purpose other than as set forth in Section 2.9 hereof, or (b) the purpose of purchasing or carrying, or for payment in full or in part of Indebtedness that was incurred for the purposes of purchasing or carrying, any "margin stock", as such term is defined in 221.3 of Regulation U of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II, Part 221, other than purchases made in compliance with Regulation U.

Section 7.15. Limitations on Restrictions on Upstreaming of Funds

No Loan Party shall enter into any agreement which prohibits or limits the ability of any Subsidiary to pay dividends or otherwise advance funds to the Borrower with respect to any fiscal year in an aggregate amount at least equal to the sum of (i) the amount of Federal, state and local income taxes payable by the Borrower with respect to the income of such Subsidiary (as determined in accordance with generally accepted accounting principles consistently applied) for such fiscal year and (ii) 50% of the net income of such Subsidiary (as determined in accordance with generally accepted accounting principles consistently applied) for such fiscal year.

Section 7.16. Derivative Protection Arrangements

No Loan Party shall enter into any Derivative Protection Arrangement unless such Loan Party has reasonably determined that entering into such Derivative Protection Arrangement is in the best interests of such Loan Party and is not for speculative purposes.

Article 8 Events of Default.

If any one or more of the following events ("Events of Default") shall occur and be continuing, the Commitments shall terminate and the entire unpaid balance of the principal of and interest on the Notes outstanding and all other obligations and Indebtedness of the Borrower to each Bank arising hereunder and under the other Loan Documents shall immediately become due and payable upon written notice to that effect given to the Borrower by the Administrative Agent upon the direction of the Required Banks (except that in the case of the occurrence of any Event of Default described in Section 8.6 no such notice shall be required), without presentment or demand for payment, notice of non-payment, protest or further notice or demand of any kind, all of which are expressly waived by the Borrower:

Section 8.1. Payments.

Failure to make (i) any payment or mandatory prepayment of principal under any Note when due or (ii) any payment or mandatory prepayment of interest upon any Note or to make any payment of any Fee not later than five (5) days after such payment or prepayment is due; or

Section 8.2. Certain Covenants.

Failure to perform or observe any of the agreements of the Borrower contained in Section 6.9 or Article 7 hereof; or

Section 8.3. Other Covenants.

Failure by the Borrower or any Subsidiary to perform or observe any other term, condition or covenant of this Agreement or of any of the other Loan Documents to which it is a party, which shall remain unremedied for a period of 15 days after notice thereof shall have been given to the Borrower by any Bank; provided, that, a failure to perform under Section 6.13 shall not be an Event of Default unless such failure to perform such covenant results or would result in a Material Adverse Effect; or

Section 8.4. Other Defaults.

(a) Failure to perform or observe any term, condition or covenant of any bond, note, debenture, loan agreement, indenture, guaranty, trust agreement, mortgage or similar instrument to which the Borrower or any Subsidiary is a party or by which it is bound, or by which any of its properties or assets may be affected (a "Debt Instrument"), so that, as a result of any such failure to perform, the Indebtedness included therein or secured or covered thereby has been declared due and payable prior to the date on which such Indebtedness would otherwise become due and payable; or

(b) Any event or condition referred to in any Debt Instrument shall occur or fail to occur, so that, as a result thereof, the Indebtedness included therein or secured or covered thereby has been declared due and payable prior to the date on which such Indebtedness would otherwise become due and payable; or

(c) Failure to pay any Indebtedness for borrowed money when due;

provided, however, that the provisions of this Section 8.4 shall not be applicable to any Debt Instrument that on the date this Section 8.4 would otherwise be applicable thereto, relates to or evidences Indebtedness in a principal amount of less than \$1,000,000; or

Section 8.5. Representations and Warranties.

Any representation or warranty made in writing to the Administrative Agent or the Banks in any of the Loan Documents, or any certificate, statement or report made or delivered in compliance with this Agreement, shall have been false or misleading in any material respect when made or delivered; or

Section 8.6. Bankruptcy.

(a) The Borrower or any Subsidiary shall make an assignment for the benefit of creditors, file a petition in bankruptcy, be adjudicated insolvent, petition or apply to any tribunal for the appointment of a receiver, custodian, or any trustee for it or a substantial part of its assets, or shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or the Borrower or any Subsidiary shall take any corporate action to authorize any of the foregoing actions; or there shall have

been filed any such petition or application, or any such proceeding shall have been commenced against it, that remains undismissed for a period of thirty (30) days or more; or any order for relief shall be entered in any such proceeding; or the Borrower or any Subsidiary by any act or omission shall indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or the appointment of a custodian, receiver or any trustee for it or any substantial part of any of its properties, or shall suffer any custodianship, receivership or trusteeship to continue undischarged for a period of thirty (30) days or more; or

(b) The Borrower or any Subsidiary shall generally not pay its debts as such debts become due; or

(c) The Borrower or any Subsidiary shall have concealed, removed, or permitted to be concealed or removed, any part of its property, with intent to hinder, delay or defraud its creditors or any of them or made or suffered a transfer of any of its property that may be fraudulent under any bankruptcy, fraudulent conveyance or similar law; or shall have made any transfer of its property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid; or shall have suffered or permitted, while insolvent, any creditor to obtain a Lien upon any of its property through legal proceedings or distraint that is not vacated within thirty (30) days from the date thereof; or

Section 8.7. Judgments.

Any judgment against the Borrower or any Subsidiary or any attachment, levy or execution against any of their properties for any amount in excess of \$500,000 shall remain unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of thirty (30) days or more; or

Section 8.8. ERISA.

(a) The termination of any Pension Plan or the institution by the PBGC of proceedings for the involuntary termination of any Pension Plan, in either case, by reason of, or that results in, a material "accumulated funding deficiency" with respect to the Borrower and its ERISA Affiliates, individually or in the aggregate, under Section 412 of the Code; or

(b) Failure by the Borrower to make required contributions, in accordance with the applicable provisions of ERISA, to each of the Pension Plans hereafter established or assumed by it; or

Section 8.9. Liens.

Any of the Liens created and granted to the Administrative Agent for the ratable benefit of the Banks under the Security Documents shall fail to be valid, first, perfected Liens, subject to no prior or equal Lien, except as permitted by Section 7.2 hereof; or

Section 8.10. Change of Control.

A Change of Control shall occur.

Upon any Event of Default, the Commitments shall terminate and the entire unpaid balance of the principal of and interest on the Notes outstanding and all other obligations and Indebtedness of the Borrower to each Agent and each Bank arising hereunder and under the other Loan Documents shall immediately become due and payable upon written notice to that effect given to the Borrower by the Administrative Agent upon consent of the Required Banks (except that in the case of the occurrence of any Event of Default described in Section 8.6 no such notice shall be required) and in any such event the Administrative Agent (i) upon the direction of the Required Banks, shall proceed to enforce the rights of the holders of the Notes by suit in equity, action at law and/or other appropriate proceedings, whether for payment or the specific performance of any covenant or agreement contained in the Loan Documents and (ii) may exercise any and all rights and remedies provided to the Administrative Agent by the Loan Documents. Except as otherwise expressly provided in the Loan Documents, the Borrower expressly waives presentment, demand, notice of non-payment, protest and any similar notice.

Article 9 Miscellaneous Provisions.

Section 9.1. Fees and Expenses, Indemnity.

The Borrower will on demand pay: (a) all reasonable costs of the Administrative Agent in preparing the Loan Documents and (b) all costs and expenses of the issuance of the Notes and of the Borrower's performance and the Subsidiaries' performance of and compliance with all agreements and conditions contained herein on its part to be performed or complied with (including, without limitation, all costs of filing or recording any assignments, mortgages, financing statements and other documents), and (c) the fees and expenses and disbursements of special counsel to the Administrative Agent in connection with the preparation, execution and delivery, review, administration, interpretation

and enforcement of the Loan Documents, the consummation of the transactions contemplated by all such documents, the negotiation, preparation, execution and delivery of any amendment, modification or supplement of or to, or any consent or waiver under, any such document (or any such instrument which is proposed but not executed and delivered) and with any claim or action threatened, made or brought against any Bank or the Administrative Agent arising out of or relating to any extent to the Loan Documents, or the transactions contemplated hereby or thereby and (d) the fees and expenses and disbursements of counsel to the Banks

and of examiners and consultants of each Bank in connection with enforcement of the Loan Documents and with any claim or action threatened, made or brought against any Bank arising out of or relating to any extent to the Loan Documents, or the transactions contemplated hereby or thereby. In addition, the Borrower will on demand pay all costs and expenses (including, without limitation, fees and disbursements of counsel) suffered or incurred by the Administrative Agent and/or the Banks in connection with its enforcement of the payment of any Note or any sum due to the Administrative Agent and/or the Banks under the Loan Documents, as the case may be, or any of Administrative Agent's and/or the Banks' other rights hereunder or thereunder. In addition to the foregoing, the Borrower shall indemnify the Administrative Agent and each Bank and each of their respective directors, officers, employees, attorneys, agents and Affiliates against, and hold each of them harmless from, any loss, liabilities, damages, claims, costs and expenses (including reasonable attorneys' fees and disbursements) suffered or incurred by any of them arising out of, resulting from or in any manner connected with, the execution, delivery and performance of each of the Loan Documents, the Loans and any and all transactions related to or consummated in connection with the Loans, including, without limitation, losses, liabilities, damages, claims, costs and expenses suffered or incurred by the Administrative Agent, such Bank and/or any of their respective directors, officers, employees, attorneys or Affiliates in investigating, preparing for, defending against, or providing evidence, producing documents or taking any other action in respect of any commenced or threatened litigation, administrative proceeding or investigation under any federal securities law or any other statute of any jurisdiction, or any regulation, or at common law or otherwise. The indemnity set forth herein shall be in addition to any other obligations or liabilities of the Borrower to the Administrative Agent and/or each such Bank hereunder or at common law or otherwise. All fees, expenses, costs, charges and other amounts payable by the Borrower hereunder shall be deemed to be Obligations, and the Administrative Agent and each Bank may, in its sole discretion, exercise its rights under Section 9.5 of this Agreement in respect of any or all thereof. The provisions of this Section 9.1 shall survive the payment of the Notes and the termination of this Agreement.

Section 9.2. Taxes.

If, under any law in effect on the date of the closing of any Loan hereunder, or under any retroactive provision of any law subsequently enacted, it shall be determined that any Federal, state or local tax is payable in respect of the issuance of any Note, or in connection with the filing or

recording of any assignments, mortgages, financing statements, or other documents (whether measured by the amount of Indebtedness secured or otherwise) as contemplated by this Agreement, then the Borrower will pay any such tax and all interest and penalties, if any, and will indemnify each Bank and the Administrative Agent against and save each of them harmless from any loss or damage resulting from or arising out of the nonpayment or delay in payment of any such tax. If any such tax or taxes shall be assessed or levied against any Bank or the Administrative Agent, such Bank or the Administrative Agent, as the case may be, may notify the Borrower and make immediate payment thereof, together with interest or penalties in connection therewith, and shall thereupon be entitled to and shall receive immediate reimbursement therefor from the Borrower. Notwithstanding any other provision contained in this Agreement, the covenants and agreements of the Borrower in this Section 9.2 shall survive payment of the Notes and the termination of this Agreement.

Section 9.3. Payments.

As set forth in Article 2 hereof, all payments by the Borrower on account of principal, interest, fees and other charges (including any indemnities) shall be made to the Administrative Agent for the account of the applicable Credit Party at the Payment Office, in lawful money of the United States of America in immediately available funds, by wire transfer or otherwise, not later than 11:00 A.M. New York City time on the date such payment is due. Any such payment made on such date but after such time shall, if the amount paid bears interest, be deemed to have been made on, and interest shall continue to accrue and be payable thereon until, the next succeeding Business Day. If any payment of principal or interest becomes due on a day other than a Business Day, such payment may be made on the next succeeding Business Day and such extension shall be included in computing interest in connection with such payment. All payments hereunder and under the Notes shall be made without set-off or counterclaim and in such amounts as may be necessary in order that all such payments shall not be less than the amounts otherwise specified to be paid under this Agreement and the Notes (after withholding for or on account of: (i) any present or future taxes, levies, imposts, duties or other similar charges of whatever nature imposed by any government or any political subdivision or taxing authority thereof, other than any tax (except those referred to in clause (ii) below) on or measured by the net income of the Bank or the Administrative Agent to which any such payment is due pursuant to applicable federal, state and local income tax laws, and (ii) deduction of amounts equal to the taxes on or measured by the net income of such Bank or the Administrative Agent payable by such Bank or the Administrative Agent with respect to the amount by which the payments required to be made under this sentence exceed the amounts otherwise specified to be paid in this Agreement and the Notes). Upon payment in full of any Note, the Bank holding such Note shall mark the Note "Paid" and return it to the Borrower.

Section 9.4. Survival of Agreements and Representations; Construction.

All agreements, representations and warranties made herein shall survive the delivery of this Agreement and the Notes. The headings used in this Agreement and the table of contents are for convenience only and shall not be deemed to constitute a part hereof. All uses herein of the masculine gender or of singular or plural terms shall be deemed to include uses of the feminine or neuter gender, or plural or singular terms, as the context may require.

Section 9.5. Lien on and Set-off of Deposits.

As security for the due payment and performance of all the Obligations, the Borrower hereby grants to each Bank and the Administrative Agent a Lien on any and all deposits or other sums at any time credited by or due from any Bank or the Administrative Agent to the Borrower, whether in regular or special depository accounts or otherwise, and any and all monies, securities and other property of the Borrower, and the proceeds thereof, now or hereafter held or received by or in transit to any Bank or the Administrative Agent from or for the Borrower, whether for safekeeping, custody, pledge, transmission, collection or otherwise, and any such deposits, sums, monies, securities and other property, may at any time after the occurrence and during the continuance of any Event of Default be set-off, appropriated and applied by any Bank or the Administrative Agent against any of the obligations, whether or not any of such Obligations is then due or is secured by any collateral, or, if it is so secured, whether or not the collateral held by any Bank or the Administrative Agent is considered to be adequate, all as set forth in and pursuant to Section 2.16 hereof.

Section 9.6. Modifications, Consents and Waivers; Entire Agreement.

No modification, amendment or waiver of or with respect to any provision of

this Agreement, any Notes, the Security Documents, or any of the other Loan Documents and all other agreements, instruments and documents delivered pursuant hereto or thereto, nor consent to any departure by the Borrower from any of the terms or conditions thereof, shall in any event be effective unless it shall be in writing and signed by the Required Banks; provided, however, that notwithstanding the foregoing, without the written consent of each Bank and the Administrative Agent, in no event shall any amendment, modification, waiver or consent:

(a) Be effective with respect to Article 2 or Article 3 (it being understood that a waiver of any Default or Event of Default under Section 8.5 hereof shall not constitute an amendment or modification of any Section therein), or Sections 8.1 or 9.6 hereof or the definitions in Article 1 which are used in any of the foregoing;

(b) Extend the final maturity of any Loan or Note (it being understood that any waiver of the application of any prepayment of or the method of application of any prepayment to the amortization of, the Loans shall not constitute any such extension) or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest or fees thereon;

(c) Reduce the percentage specified in the definition of Required Banks;

(d) Increase the amount of the Commitment of any Bank hereunder (it being understood that a waiver of any Default or Event of Default shall not constitute a change in the terms of any Commitment of any Bank);

(e) Extend the Commitment Termination Date;

(f) Release or permit the release of any asset pledged under any of the Security Documents; or

(g) Consent to any assignment by the Borrower of the Obligations. Any such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No consent to or demand on the Borrower in any case shall, of itself, entitle it to any other or further notice or demand in similar or other circumstances. This Agreement and the other Loan Documents embody the entire agreement and understanding among the Banks, the Administrative Agent and the Borrower and supersede all prior agreements and understandings relating to the subject matter hereof.

Section 9.7. Remedies Cumulative.

Each and every right granted to the Banks and the Administrative Agent hereunder or under any other document delivered hereunder or in connection herewith, or allowed it by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of any Bank or the Administrative Agent to exercise, and no delay in exercising, any right shall operate as a waiver thereof, nor shall any single or partial exercise of any right preclude any other or future exercise thereof or the exercise of any other right. The due payment and performance of the obligations shall be without regard to any counterclaim, right of offset or any other claim whatsoever that the Borrower may have against any Bank or the Administrative Agent and without regard to any other obligation of any nature whatsoever that any Bank or the Administrative Agent may have to the Borrower, and no such counterclaim or offset shall be asserted by the Borrower in any action, suit or proceeding instituted by any Bank or the Administrative Agent for payment or performance of the obligations.

Section 9.8. Further Assurances.

At any time and from time to time, upon the request of any Bank or the Administrative Agent, the Borrower shall execute, deliver and acknowledge or cause to be executed, delivered and acknowledged, such further documents and instruments and do such other acts and things as any Bank or the Administrative Agent may reasonably request in order to fully effect the purposes of this

Agreement, the other Loan Documents and any other agreements, instruments and documents delivered pursuant hereto or in connection with the Loans.

Section 9.9. Notices.

All notices, requests, reports and other communications pursuant to this Agreement shall be in writing, either by letter (delivered by hand or commercial messenger service or sent by certified mail, return receipt requested, except for routine reports delivered in compliance with Article 5 hereof which may be sent by ordinary first-class mail) or telegram or telecopy, addressed as follows:

(a) If to the Borrower:

Griffon Corporation
100 Jericho Quadrangle
Jericho, New York 11753
Attention: Robert Balemian
Telecopier No.: (516) 938-5644

with a copy to:

Blau, Kramer, Wactlar & Lieberman, P.C.
100 Jericho Quadrangle
Jericho, New York 11753
Attention: Edward I. Kramer
Telecopier No.: (516) 822-4824

(b) If to the Administrative Agent:

Fleet Bank, National Association
300 Broad Hollow Road
Melville, New York 11747
Attention: Christopher J. Mendelsohn
Vice President
Telecopier No.: (516) 547-7815

with a copy (other than in the case of Borrowing Notices and reports and other documents delivered in compliance with Article 5 hereof) to:

Emmet, Marvin & Martin, LLP
120 Broadway
New York, New York 10271
Attention: Richard M. Skoller, Esq.
Telecopier No.: (212) 238-3100

(c) If to the Documentation Agent:

The Chase Manhattan Bank
7600 Jericho Turnpike
Suite 306
Woodbury, NY 11797
Attention: Barbara G. Bertschi
Vice President
Telecopier No.: (516) 364-3307

(d) If to a Bank:

To its respective address (telecopy number) set forth on its signature page to this Agreement.

Any notice, request or communication hereunder shall be deemed to have been given on the day on which it is telecopied to such party at the telecopier number referred to above or delivered by hand or such commercial messenger service to such party at its address referred to above, or, if sent by mail, on the third Business Day after the day deposited in the mail, postage prepaid, or

in the case of telegraphic notice, when delivered to the telegraph company, addressed as aforesaid. Any party may change the person, address or telecopier number to whom or which notices are to be given hereunder, by notice duly given hereunder; provided, however, that any such notice shall be deemed to have been given hereunder only when actually received by the party to which it is addressed.

Section 9.10. Counterparts.

This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 9.11. Severability.

The provisions of this Agreement are severable, and if any clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision in this Agreement in any jurisdiction. Each of the covenants, agreements and conditions contained in this Agreement is independent and compliance by the Borrower with any of them shall not excuse non-compliance by the Borrower with any other. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

Section 9.12. Binding Effect; No Assignment or Delegation by Borrower.

This Agreement shall be binding upon and inure to the benefit of the Borrower and its successors and to the benefit of the Banks and the Administrative Agent and their respective successors and assigns. The rights and obligations of the Borrower under this Agreement shall not be assigned or delegated without the prior written consent of each Bank and the Administrative Agent, and any purported assignment or delegation without such consent shall be void.

Section 9.13. Assignments and Participations by Banks.

(a) Each Bank may assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Loans owing to it, and the Note or Notes held by it); provided, however, that: (i) each such assignment shall be of a constant, and not a varying, percentage of all of the assigning Bank's rights and obligations under this Agreement, (ii) the amount of the Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 and shall be an integral multiple of \$500,000, (iii) each assignee shall agree in writing satisfactory in form and substance to the Administrative Agent to be bound by the terms and conditions of this Agreement, (iv) each such assignment other than to a Bank party hereto or a banking Affiliate of such a Bank shall require the consent of the Borrower (unless an Event of Default has occurred and is continuing in which case such consent shall not be required), and (v) each such assignment shall be to an Eligible Assignee. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof: (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder, and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such

Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the

performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon such assigning Bank or the Administrative Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

(c) Upon its receipt of an Assignment and Acceptance executed by an assignee representing that it is an Eligible Assignee, together with any Note subject to such assignment, the assigning Bank shall: (i) accept such Assignment and Acceptance, and (ii) give prompt notice thereof to the Administrative Agent, the Borrower and each of the other Banks. Within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the assignee Bank in exchange for the surrendered Note a new Note to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Bank has retained a Commitment hereunder, a new Note to the order of the assigning Bank in an amount equal to the Commitment retained by it hereunder. Such new Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A-1 hereto.

(d) Each Bank may, without the prior consent of any other Bank or the Borrower, sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Loans owing to it, and the Note held by it); provided, however, that: (i) such Bank's obligations under this Agreement (including, without limitation, its Commitment hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of any such Note for all purposes of this Agreement, and the Borrower and the other Bank shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement.

(e) Each Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.13, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Bank by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to the Borrower received by it from such Bank.

(f) Notwithstanding any other provision contained in this Agreement or any other Loan Document to the contrary, each Bank may assign all or any portion of its Loans and its Notes to any Federal Reserve Bank or the United States Treasury (and its transferees) as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any operating Circular issued by such Federal Reserve Bank, provided that any payment in respect of such assigned Loan made by the Borrower to or for the account of the assigning Bank in accordance with the terms of this Agreement shall satisfy the Borrower's obligations hereunder in respect of such assigned Loans to the extent of such payment. No such assignment shall release the assigning Bank from its obligations hereunder.

Section 9.14. Relief From Bankruptcy Stay.

In the event that the Borrower or any of the persons or parties constituting the Borrower shall (i) file with any bankruptcy court of competent jurisdiction or be the subject of any petition under Title 11 of the U.S. Code, as amended ("Bankruptcy Code"), (ii) be the subject of any order for relief issued under the Bankruptcy Code, (iii) file or be the subject of any petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency, or other relief for debtors (collectively, "Insolvency Law"), (iv) have sought or consented to or acquiesced in the appointment of any trustee, receiver, conservator, or liquidator, or (v) be the subject of any order, judgment, or decree entered by any court of competent jurisdiction approving a petition filed against such party for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any Insolvency Law, the Administrative Agent and each Bank shall thereupon be entitled and the Borrower irrevocably consents to immediate and unconditional relief from any automatic stay imposed by Section 362 of the Bankruptcy Code, or any other stay issued pursuant to the Bankruptcy Code or any Insolvency Law, on or against the exercise of the rights and remedies otherwise available to each Bank or the Administrative Agent as provided in connection herewith and as otherwise provided by law, and the Borrower hereby irrevocably waives any right to object to such relief and will not contest any motion by each Bank or the Administrative Agent seeking relief from such stay and the Borrower will cooperate with each Bank and the Administrative Agent, in any manner requested by each Bank or the Administrative Agent, in its efforts to obtain relief from any such stay.

Section 9.15. Governing Law; Consent to Jurisdiction; Waiver of Trial by Jury.

(a) THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND ALL OTHER DOCUMENTS AND INSTRUMENTS EXECUTED AND DELIVERED IN CONNECTION HERewith AND THEREwith, SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ITS RULES PERTAINING TO CONFLICTS OF LAWS.

(b) THE BORROWER IRREVOCABLY CONSENTS THAT ANY LEGAL ACTION OR PROCEEDING AGAINST IT UNDER, ARISING OUT OF OR IN ANY MANNER RELATING TO THIS AGREEMENT, AND EACH OTHER LOAN DOCUMENT MAY BE BROUGHT IN ANY COURT OF THE STATE OF NEW YORK, COUNTY OF NEW YORK, OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. THE BORROWER, BY THE EXECUTION AND DELIVERY OF THIS AGREEMENT, EXPRESSLY AND IRREVOCABLY ASSENTS AND SUBMITS TO THE PERSONAL JURISDICTION OF ANY OF SUCH COURTS IN ANY SUCH ACTION OR PROCEEDING. THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF ANY COMPLAINT, SUMMONS, NOTICE OR OTHER PROCESS RELATING TO ANY SUCH ACTION OR PROCEEDING BY DELIVERY THEREOF TO IT BY HAND OR BY MAIL IN THE MANNER PROVIDED FOR IN SECTION 9.9 HEREOF. THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES ANY CLAIM OR DEFENSE IN ANY SUCH ACTION OR PROCEEDING BASED ON ANY ALLEGED LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS OR ANY SIMILAR BASIS. THE BORROWER SHALL NOT BE ENTITLED IN ANY SUCH ACTION OR PROCEEDING TO ASSERT ANY DEFENSE GIVEN OR ALLOWED UNDER THE LAWS OF ANY STATE OTHER THAN THE STATE OF NEW YORK UNLESS SUCH DEFENSE IS ALSO GIVEN OR ALLOWED BY THE LAWS OF THE STATE OF

NEW YORK. NOTHING IN THIS SECTION 9.15 SHALL AFFECT OR IMPAIR IN ANY MANNER OR TO ANY EXTENT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY BANK TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE BORROWER IN ANY JURISDICTION OR TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW.

(c) EACH OF THE BORROWER, EACH AGENT AND EACH BANK WAIVES TRIAL BY JURY IN ANY LITIGATION IN ANY COURT WITH RESPECT TO, IN CONNECTION WITH, OR ARISING OUT OF, THIS AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS, OR ANY INSTRUMENT OR DOCUMENT DELIVERED PURSUANT TO THIS AGREEMENT OR THE VALIDITY, PROTECTION, INTERPRETATION, COLLECTION OR ENFORCEMENT THEREOF.

Section 9.16. Prior Agreement

Upon the execution of this Agreement and the satisfaction of the conditions set forth in Article 4 and the repayment in full of all Rollover Eurodollar Loans, the Prior Agreement shall be deemed terminated; provided, that, all right of the Banks thereunder and all obligations of the Borrower thereunder not theretofore satisfied shall survive to the extent not covered by this Agreement.

Section 9.17. Interest Adjustment.

All agreements between the Borrower, the Administrative Agent and the Banks are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of maturity of the indebtedness evidenced hereby or otherwise, shall the amount paid or agreed to be paid to any Bank for the use or the forbearance of the indebtedness evidenced hereby exceed the maximum permissible under applicable law. As used herein, the term "applicable law" shall mean the law in effect as of the date hereof provided, however, that in the event there is a change in the law which results in a higher permissible rate of interest, then the Loan Documents shall be governed by such new law as of its effective date. In this regard, it is expressly agreed that it is the intent of Borrower and the Bank in the execution, delivery and acceptance of this Agreement to contract in strict compliance with the laws of the State of New York from time to time in effect. If, under or from any circumstances whatsoever, fulfillment of any provision hereof or of any of the Loan Documents at the time of performance of such provision shall be due, shall involve transcending the limit of such validity prescribed by applicable law, then the obligation to be fulfilled shall automatically be reduced to the limits of such validity, and if under or from circumstances whatsoever the applicable Bank should ever receive as interest and amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the principal balance evidenced by a Note (in such manner as such Bank may determine in its sole discretion) and not to the payment of interest. This provision shall control every other provision of all agreements between the Borrower and such Bank.

Section 9.18. Lost Notes.

Upon receipt of a certificate of an officer of any Bank as to the loss, theft, destruction or mutilation of any Note or any other security document which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon surrender and cancellation of such Note or other security document, the Borrower will issue, in lieu thereof, a replacement Note or other security document in the same principal amount thereof and otherwise of like tenor.

Article 10 The Administrative Agent.

Section 10.1. Appointment.

Each of the Banks hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent

by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

Section 10.2. Individual Capacity.

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Bank as any other Bank and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower, any Subsidiary, or any Affiliate of the Borrower as if it were not the Administrative Agent hereunder.

Section 10.3. Exculpatory Provisions.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (1) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (2) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing pursuant to a written directive from the Required Banks (or such other number or percentage of the Banks as shall be necessary under the circumstances as provided in Section 9.6), and (3) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any Subsidiary that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Banks (or such other number or percentage of the Banks as shall be necessary under the circumstances as provided in Section 9.6) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or another Credit Party and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreements, instrument or document, or (v) the satisfaction of any condition set forth in Article 4 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

Section 10.4. Reliance by Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel to the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 10.5. Delegation.

The Administrative Agent may perform any and all of its duties and exercise its rights and powers by or through any one or more subagents appointed by the Administrative Agent, including, without limitation, the appointment of Chase as

Documentation Agent, provided that no such delegation shall serve as a release of the Administrative Agent or waiver by the Borrower of any rights hereunder; provided further that although Chase, as Documentation Agent shall be entitled to all the benefits of the exculpatory provisions set forth in this Agreement, Chase, as Documentation Agent shall have no duties, responsibilities or liabilities whatsoever, in such capacity. The Administrative Agent and any such subagent may perform any and all of its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of this Article 10 shall apply to any such subagent and to the Related Parties of the Administrative Agent and any such subagent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Section 10.6. Resignation; Successor Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this Section 10.6, the Administrative Agent may resign at any time by notifying the Banks and the Borrower. Upon any such resignation, the Required Banks shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Banks and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as

Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.6 shall continue in effect for the benefit of such retiring Administrative Agent, its subagents and their respective Related Parties in respect of any actions taken or permitted to be taken by any of them while it was acting as Administrative Agent.

Section 10.7. NonReliance on Other Credit Parties.

Each Credit Party acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Credit Party and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Credit Party also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Credit Party and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

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SIGNATURES FOLLOW ON NEXT PAGES]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the date first above written.

GRIFFON CORPORATION

By: /s/ Robert Balemian

Name: Robert Balemian

Title: President

[SIGNATURES CONTINUE ON NEXT PAGE]

Commitment:

\$50,000,000

FLEET BANK, NATIONAL
ASSOCIATION, individually and in its
capacity as Administrative Agent

By: /s/ Christopher J. Mendelsohn

Name: Christopher J. Mendelsohn

Title: Vice President

Lending Office for Prime Rate Loans and

Eurodollar Loans:

300 Broad Hollow Road
Melville, New York 11747

Attention: Christopher J. Mendelsohn

Address for Notices:

300 Broad Hollow Road
Melville, New York 11747

Attention: Christopher J. Mendelsohn

Telecopier No.: (516) 547-7815

[SIGNATURES CONTINUE ON NEXT PAGE]

Commitment:

\$45,000,000

THE CHASE MANHATTAN BANK,
individually and in its capacity as
Documentation Agent

By: /s/ Barbara G. Bertschi

Name: Barbara G. Bertschi

Title: Vice President

Lending Office for Prime Rate Loans and

Eurodollar Loans:

7600 Jericho Turnpike
Suite 306

Woodbury, New York 11797

Attention: Barbara G. Bertschi

Address for Notices:

7600 Jericho Turnpike
Suite 306
Woodbury, New York 11797

Attention: Barbara G. Bertschi

Telecopier No.: (516) 364-3307

[SIGNATURES CONTINUE ON NEXT PAGE]

Commitment:

\$25,000,000

FIRSTAR BANK, NATIONAL
ASSOCIATION

By: /s/ Thomas D. Gibbons

Name: Thomas D. Gibbons

Title: Vice President

Lending Office for Prime Rate Loans and

Eurodollar Loans:

425 Walnut Street - ML 8160
Cincinnati, Ohio 45202

Attention: Derek S. Roudebush
Vice President

Address for Notices:

425 Walnut Street - ML 8160
Cincinnati, Ohio 45202

Attention: Derek S. Roudebush
Vice President

Telecopier No.: 513 632-2068

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, dated November 11, 1999, included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8 (Nos. 33-39090, 33-62966, 33-52319, 33-57683, 333-21503, 333-62319 and 333-84409).

ARTHUR ANDERSEN LLP

Roseland, New Jersey
December 20, 1999

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