

GRIFFON CORP
Form 10-Q
August 03, 2011

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

FORM 10-Q**

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

For the quarterly period ended June 30, 2011

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 1-06620

GRIFFON CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

11-1893410

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

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

(Address of Principal Executive Offices)

10019

(Zip Code)

(212) 957-5000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **x** Yes No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 63,286,864 shares of Common Stock as of July 29, 2011.

Griffon Corporation and Subsidiaries

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Part I Financial Information
Item 1 Financial Statements

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

	(Unaudited) At June 30, 2011	At September 30, 2010
	<u> </u>	<u> </u>
CURRENT ASSETS		
Cash and equivalents	\$ 246,554	\$ 169,802
Accounts receivable, net of allowances of \$6,357 and \$6,581	253,153	252,029
Contract costs and recognized income not yet billed, net of progress payments of \$1,419 and \$1,423	64,554	63,155
Inventories, net	276,931	268,801
Prepaid and other current assets	65,200	55,782
Assets of discontinued operations	1,387	1,079
	<u> </u>	<u> </u>
Total Current Assets	907,779	810,648
PROPERTY, PLANT AND EQUIPMENT, net	351,962	314,926
GOODWILL	361,576	356,087
INTANGIBLE ASSETS, net	230,590	233,011
OTHER ASSETS	31,469	27,907
ASSETS OF DISCONTINUED OPERATIONS	3,727	5,803
	<u> </u>	<u> </u>
Total Assets	\$ 1,887,103	\$ 1,748,382
	<u> </u>	<u> </u>
CURRENT LIABILITIES		
Notes payable and current portion of long-term debt	\$ 19,307	\$ 20,901
Accounts payable	178,592	185,165
Accrued liabilities	92,559	124,687
Liabilities of discontinued operations	4,042	4,289
	<u> </u>	<u> </u>
Total Current Liabilities	294,500	335,042
LONG-TERM DEBT, net of debt discount of \$20,426 and \$30,650	674,530	503,935
OTHER LIABILITIES	195,019	190,244
LIABILITIES OF DISCONTINUED OPERATIONS	5,729	8,446
	<u> </u>	<u> </u>
Total Liabilities	1,169,778	1,037,667
	<u> </u>	<u> </u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Total Shareholders' Equity	717,325	710,715
	<u> </u>	<u> </u>
Total Liabilities and Shareholders' Equity	\$ 1,887,103	\$ 1,748,382
	<u> </u>	<u> </u>

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

ACCUMULATED
OTHER
COMPREHENSIVE

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(in thousands)	COMMON STOCK		CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	TREASURY SHARES		INCOME (LOSS)	DEFERRED ESOP COMPENSATION	Total
	SHARES	PAR VALUE			SHARES	COST			
Balance at 9/30/2010	74,580	\$ 18,645	\$ 460,955	\$ 431,584	12,466	\$ (213,560)	\$ 17,582	\$ (4,491)	\$ 710,715
Net income (loss)				(10,809)					(10,809)
Common stock issued for options exercised	339	85	2,472		256	(3,402)			(845)
Tax benefit/credit from the exercise/forfeiture of stock options			2,334						2,334
Amortization of deferred compensation							558		558
Restricted stock awards granted, net	1,267	317	(317)		175	(2,328)			(2,328)
ESOP purchase of common stock								(15,674)	(15,674)
ESOP distribution of common stock			200						200
Stock-based compensation			6,767						6,767
Translation of foreign financial statements							25,130		25,130
Pension other comprehensive income amort, net of tax							1,277		1,277
Balance at 6/30/2011	76,186	\$ 19,047	\$ 472,411	\$ 420,775	12,897	\$ (219,290)	\$ 43,989	\$ (19,607)	\$ 717,325

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

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Revenue	\$ 455,282	\$ 327,026	\$ 1,345,813	\$ 946,160
Cost of goods and services	356,113	252,671	1,057,642	732,454
Gross profit	99,169	74,355	288,171	213,706
Selling, general and administrative expenses	82,045	61,650	246,853	187,666
Restructuring and other related charges	2,118	1,489	4,723	3,720
Total operating expenses	84,163	63,139	251,576	191,386
Income from operations	15,006	11,216	36,595	22,320
Other income (expense)				
Interest expense	(12,569)	(3,760)	(35,111)	(10,459)
Interest income	106	81	272	335
Loss from debt extinguishment, net			(26,164)	(6)
Other, net	145	(583)	3,407	633
Total other income (expense)	(12,318)	(4,262)	(57,596)	(9,497)
Income (loss) before taxes and discontinued operations	2,688	6,954	(21,001)	12,823
Provision (benefit) for income taxes	(2,184)	1,965	(10,192)	1,620
Income (loss) from continuing operations	4,872	4,989	(10,809)	11,203
Discontinued operations:				
Income (loss) from operations of the discontinued Installation Services business		(26)		143
Provision (benefit) for income taxes		(5)		54
Income (loss) from discontinued operations		(21)		89
Net income (loss)	\$ 4,872	\$ 4,968	\$ (10,809)	\$ 11,292
Basic earnings (loss) per common share:				
Income (loss) from continuing operations	\$ 0.08	\$ 0.08	\$ (0.18)	\$ 0.19
Income from discontinued operations	0.00	0.00	0.00	0.00
Net income (loss)	0.08	0.08	(0.18)	0.19
Weighted-average shares outstanding	59,606	59,018	59,387	58,944
Diluted earnings (loss) per common share:				
Income (loss) from continuing operations	\$ 0.08	\$ 0.08	\$ (0.18)	\$ 0.19
Income from discontinued operations	0.00	0.00	0.00	0.00
Net income (loss)	0.08	0.08	(0.18)	0.19
Weighted-average shares outstanding	60,525	60,154	59,387	59,897

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Note: Due to rounding, the sum of earnings per share of Continuing operations and Discontinued operations may not equal earnings per share of Net income (loss).

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

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

(Unaudited)

	Nine Months Ended June 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (10,809)	\$ 11,292
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Income from discontinued operations		(89)
Depreciation and amortization	45,078	29,357
Fair value write-up of acquired inventory sold	15,152	
Stock-based compensation	6,767	4,447
Provision for losses on accounts receivable	734	1,619
Amortization/write-off of deferred financing costs and debt discounts	5,203	4,317
Loss from debt extinguishment, net	26,164	6
Deferred income taxes	(3,550)	(4,768)
Gain on sale/disposal of assets	(240)	
Change in assets and liabilities, net of assets and liabilities acquired:		
(Increase) decrease in accounts receivable and contract costs and recognized income not yet billed	1,243	(5,747)
Increase in inventories	(19,994)	(11,611)
(Increase) decrease in prepaid and other assets	(2,243)	1,161
Increase (decrease) in accounts payable, accrued liabilities and income taxes payable	(51,075)	17,639
Other changes, net	625	571
	13,055	48,194
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(64,974)	(26,581)
Acquired business, net of cash acquired	(855)	
Funds restricted for capital projects	3,875	
(Increase) decrease in equipment lease deposits		(1,040)
Proceeds from sale of investment	1,333	
	(60,621)	(27,621)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	640,963	100,000
Payments of long-term debt	(495,209)	(81,050)
Increase in short-term borrowings	12,730	
Financing costs	(21,343)	(4,145)
Purchase of ESOP shares	(15,674)	
Exercise of stock options	20	299
Tax benefit from exercise of options/vesting of restricted stock	2,334	99
Other, net	22	192
	123,843	15,395
CASH FLOWS FROM DISCONTINUED OPERATIONS:		
Net cash used in operating activities	(829)	(449)
	(829)	(449)

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Effect of exchange rate changes on cash and equivalents	1,304	(4,719)
	<u> </u>	<u> </u>
NET INCREASE IN CASH AND EQUIVALENTS	76,752	30,800
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	169,802	320,833
	<u> </u>	<u> </u>
CASH AND EQUIVALENTS AT END OF PERIOD	\$ 246,554	\$ 351,633
	<u> </u>	<u> </u>

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

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

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

NOTE 1 DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

About Griffon Corporation

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

Griffon operates through three business segments: Home & Building Products, Telephonics Corporation and Clopay Plastic Products Company.

Home & Building Products (HBP) consists of:

- Clopay Building Products Company (CBP), a leading manufacturer and marketer of residential, commercial and industrial garage doors to professional installing dealers and major home center retail chains; and
- Ames True Temper, Inc. (ATT), acquired by Griffon on September 30, 2010, a global provider of non-powered landscaping products that make work easier for homeowners and professionals. Due to the timing of the acquisition, none of ATT's 2010 results of operations were included in Griffon's results for the year ended September 30, 2010.

Telephonics Corporation (Telephonics) designs, develops and manufactures high-technology integrated information, communication and sensor system solutions to military and commercial markets worldwide.

Clopay Plastic Products Company (Plastics), is an international leader in the development and production of embossed, laminated and printed specialty plastic films used in a variety of hygienic, health-care and industrial applications.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements do not include all the information and footnotes required by U.S. GAAP for complete financial statements. As such, they should be read with reference to Griffon's Annual Report on Form 10-K for the year ended September 30, 2010, which provides a more complete explanation of Griffon's accounting policies, financial position, operating results, business properties and other matters and with Griffon's Current Report on Form 8-K filed on June 24, 2011 updating such Form 10-K for the inclusion of guarantor financial statements in the notes to Consolidated Financial Statements. In the opinion of management, these financial statements reflect all adjustments considered necessary for a fair statement of interim results. Griffon's HBP operations are seasonal and the results of any interim period are not necessarily indicative of the results for the full year.

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The condensed consolidated balance sheet information at September 30, 2010 was derived from the audited financial statements included in Griffon's Annual Report on Form 10-K for the year ended September 30, 2010.

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

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

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

NOTE 2 FAIR VALUE MEASUREMENTS

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

At June 30, 2011, the fair value of Griffon's 2017 4% convertible notes and 2018 Senior Notes approximated \$99,000 and \$553,000, respectively, based upon quoted market prices (level 1 inputs).

Insurance contracts with a value of \$4,599 and trading securities with a value of \$5,376 at June 30, 2011, are measured and recorded at fair value based upon quoted prices in active markets for identical assets (level 1 inputs).

Items Measured at Fair Value on a Recurring Basis

At June 30, 2011, Griffon had \$1,500 of Canadian dollar contracts at a weighted average rate of \$0.99 and \$3,500 of Australian dollar contracts at a weighted average rate of \$0.98. The contracts do not qualify for hedge accounting and a fair value loss of \$29 and \$221, respectively, was recorded in other liabilities and to other income for the outstanding contracts based on similar contract values (level 2 inputs) for the three and nine month periods ended June 30, 2011, respectively.

NOTE 3 ACQUISITION

On September 30, 2010, Griffon purchased all of the outstanding stock of CHATT Holdings, Inc. (ATT Holdings), the parent of ATT, on a cash and debt-free basis, for \$542,000 in cash, subject to certain adjustments (the Purchase Price). ATT is a global provider of non-powered lawn and garden tools, wheelbarrows, and other outdoor work products to the retail and professional markets. ATT's brands include Ames®, True Temper®, Ames True Temper®, Garant®, Union Tools®, Razor-back®, Jackson®, Hound Dog® and Dynamic Design™. ATT's brands hold the number one or number two market position in their respective major product categories. The acquisition of ATT expanded Griffon's position in the home and building products market and provides Griffon the opportunity to recognize synergies with its other businesses.

ATT's results of operations are not included in Griffon's consolidated statements of operations or cash flows, or related footnotes for any period presented prior to September 30, 2010, except where explicitly stated as pro forma results. Griffon's consolidated balance sheet at September 30, 2010 and related

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footnotes include ATT's balances at that date. The accounts of the acquired company, after adjustments to reflect fair market values assigned to assets and liabilities, have been included in Griffon's consolidated financial statements from the date of acquisition.

The following table summarizes estimated fair values of assets acquired and liabilities assumed as of the date of acquisition, and the amounts assigned to goodwill and intangible assets:

	2010
Current assets, net of cash acquired	\$ 195,214
PP&E	72,918
Goodwill *	259,930
Intangibles	203,290
Other assets	1,124
Total assets acquired	732,476
Total liabilities assumed	(190,476)
Net assets acquired	\$ 542,000

Amounts assigned to goodwill and major intangible asset classifications are as follows:

	2010	Amortization Period (Years)
Goodwill (non-deductible) *	\$ 259,930	N/A
Tradenames (non-deductible)	76,090	Indefinite
Customer relationships (non-deductible)	127,200	25
	\$ 463,220	

* During the current quarter, Goodwill was reduced, retrospectively, by \$1,134, due to the prospective federal consolidated tax reporting of ATT and GFF, and accounting for the completion of ATT's 2010 federal tax return.

Pro Forma Information

The following unaudited pro forma information illustrates the effect on Griffon's revenue and net earnings for the three and nine months ended June 30, 2010, assuming the acquisition of ATT took place on October 1, 2009.

	Three Months Ended June 30, 2010	Nine Months Ended June 30, 2010
Revenue from continuing operations:		
As reported	\$ 327,026	\$ 946,160
Pro forma	454,498	1,308,164
Net earnings from continuing operations:		
As reported	\$ 4,989	\$ 11,203
Pro forma	10,783	24,520
Diluted earnings per share from continuing operations:		
As reported	\$ 0.08	\$ 0.19

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Pro forma	0.18	0.41
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Average shares - Diluted (in thousands)	60,154	59,897
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The pro forma results of operations have been prepared for comparative purposes only and include certain adjustments to actual financial results, such as imputed financing costs, and estimated amortization and depreciation expense as a result of intangibles and fixed assets acquired being measured at fair value. Such pro forma results do not purport to be indicative of the results of operations that would have actually resulted had the acquisition occurred on the date indicated, or that may result in the future.

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During the 2011 first quarter, Plastics purchased a manufacturing business in Shanghai, China for \$855. The purchase price was primarily allocated to fixed assets.

NOTE 4 INVENTORIES

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

	At June 30, 2011	At September 30, 2010
Raw materials and supplies	\$ 74,745	\$ 64,933
Work in process	82,378	69,107
Finished goods	119,808	134,761
Total	\$ 276,931	\$ 268,801

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment were comprised of the following:

	At June 30, 2011	At September 30, 2010
Land, building and building improvements	\$ 130,713	\$ 126,785
Machinery and equipment	571,664	498,017
Leasehold improvements	34,828	33,455
	737,205	658,257
Accumulated depreciation and amortization	(385,243)	(343,331)
Total	\$ 351,962	\$ 314,926

Depreciation and amortization expense for property, plant and equipment was \$15,700 and \$9,149 for the quarters ended June 30, 2011 and 2010, respectively, and \$45,078 and \$29,357 for the nine-month periods ended June 30, 2011 and 2010, respectively.

No event or indicator of impairment occurred during the three and nine months ended June 30, 2011, which would require additional impairment testing of property, plant and equipment.

NOTE 6 GOODWILL AND OTHER INTANGIBLES

The following table provides the changes in carrying value of goodwill by segment during the nine months ended June 30, 2011.

	At September 30, 2010	Other adjustments including currency translations	At June 30, 2011
Home & Building Products**	\$ 259,930	\$	\$ 259,930
Telephonics	18,545		18,545
Plastics	77,612	5,489	83,101

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Total	\$	356,087	\$	5,489	\$	361,576
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** As adjusted, see Acquisition note.

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

	At June 30, 2011			At September 30, 2010	
	Gross Carrying Amount	Accumulated Amortization	Average Life (Years)	Gross Carrying Amount	Accumulated Amortization
Customer relationships	\$ 160,096	\$ 12,556	25	\$ 155,798	\$ 6,477
Unpatented technology	7,348	1,845	12	8,154	1,144
Total amortizable intangible assets	167,444	14,401		163,952	7,621
Trademarks	77,547			76,680	
Total intangible assets	\$ 244,991	\$ 14,401		\$ 240,632	\$ 7,621

Amortization expense for intangible assets subject to amortization was \$1,987 and \$481 for the quarters ended June 30, 2011 and 2010, respectively, and \$5,905 and \$1,506 for the nine-month periods ended June 30, 2011 and 2010, respectively.

During the 2011 first quarter, Griffon reduced the carrying value of unpatented technology, and the related accrual, by approximately \$1,400 due to the expiration of contingency agreements for certain past acquisitions.

No event or indicator of impairment occurred during the nine months ended June 30, 2011, which would require impairment testing of long-lived intangible assets including goodwill.

NOTE 7 INCOME TAXES

Griffon's effective tax rate for continuing operations for the current quarter was a benefit of 81.3%, compared to a provision of 28.3% in the prior year quarter. The June 30, 2011 quarter effective rate reflected a change in earnings mix between domestic and non-domestic, and the results of ATT, acquired on September 30, 2010. Certain discrete tax benefits impacted the effective rates in both reporting periods. The current quarter included benefits arising on the filing of tax returns in various jurisdictions, and tax planning related to unremitted foreign earnings; the 2010 effective rate reflected benefits arising on the filing of tax returns in various jurisdictions. Excluding these discrete items, the effective rate on continuing operations would have been 77.7% in the current quarter compared to 27.3% in the prior year quarter. The 77.7% tax rate is impacted by the combined effects of the nominal pretax income in the current quarter combined with a forecast full year pretax loss for 2011, as well as fluctuations in the full year expected effective tax rate driven by changes in earnings mix between domestic and non-domestic operations.

Griffon's effective tax rate for continuing operations for the nine months ended June 30, 2011 was a benefit of 48.5%, compared to a provision of 12.6% in the prior year period. The 2011 effective tax rate reflected a change in earnings mix between domestic and non-domestic and includes the results of ATT, acquired on September 30, 2010. Certain discrete tax benefits impacted the effective tax rates in both reporting periods. The 2011 rate included benefits arising in connection with the retroactively extended research tax credit signed into law on December 22, 2010, the filing of tax returns in various jurisdictions, and tax planning related to unremitted foreign earnings. The 2010 effective rate benefited from resolution of certain non-domestic tax audits resulting in the release of previously established reserves for uncertain tax positions, combined with the benefit of certain tax planning initiatives with respect to non-U.S. operating locations, and a benefit arising on the filing of certain of tax returns in various jurisdictions. Excluding these discrete items, the effective rate on continuing operations for the nine months ended June 30, 2011 would have been a benefit of 27.0% compared to 27.3% in the comparable prior year period.

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NOTE 8 LONG-TERM DEBT

	At June 30, 2011					At September 30, 2010				
	Outstanding Balance	Original Issuer Discount	Balance Sheet	Capitalized Fees & Expenses	Coupon Interest Rate	Outstanding Balance	Original Issuer Discount	Balance Sheet	Capitalized Fees & Expenses	Coupon Interest Rate
Senior notes due 2018	(a) \$ 550,000	\$	\$ 550,000	\$ 11,337	7.125%	\$	\$	\$	\$	n/a
Revolver due 2016	(a)			2,937	n/a					n/a
Convert. debt due 2017	(b) 100,000	(20,426)	79,574	2,474	4.000%	100,000	(22,525)	77,475	2,807	4.000%
Real estate mortgages	(c) 18,491		18,491	379	n/a	7,287		7,287	159	n/a
ESOP Loans	(d) 20,204		20,204	17	n/a	5,000		5,000		n/a
Capital lease - real estate	(e) 11,553		11,553	264	5.000%	12,182		12,182	282	5.000%
Convert. debt due 2023	(f) 532		532		4.000%	532		532		4.000%
Term loan due 2013	(g)			242	n/a					n/a
Revolver due 2011	(g) 10,876		10,876	71	n/a					n/a
Foreign line of credit	(g) 2,000		2,000		n/a					n/a
Term loan due 2016	(h)				n/a	375,000	(7,500)	367,500	9,782	7.800%
Asset based lending	(h)				n/a	25,000	(625)	24,375	3,361	4.500%
Revolver due 2013	(i)				n/a	30,000		30,000	476	1.800%
Other long term debt	(j) 607		607			485		485		
Totals	714,263	(20,426)	693,837	\$ 17,721		555,486	(30,650)	524,836	\$ 16,867	
less: Current portion	(19,307)		(19,307)			(20,901)		(20,901)		
Long-term debt	\$ 694,956	\$ (20,426)	\$ 674,530			\$ 534,585	\$ (30,650)	\$ 503,935		

	Three Months Ended June 30, 2011					Three Months Ended June 30, 2010				
	Effective Interest Rate	Cash Interest	Amort. Debt Discount	Amort. Deferred Cost & Other Fees	Total Interest Expense	Effective Interest Rate	Cash Interest	Amort. Debt Discount	Amort. Deferred Cost & Other Fees	Total Interest Expense
Senior notes due 2018	(a) 7.1%	\$ 9,780	\$	\$ 412	\$ 10,192	n/a	\$	\$	\$	\$
Revolver due 2016	(a) n/a			149	149	n/a				
Convert. debt due 2017	(b) 9.2%	1,000	713	111	1,824	9.2%	1,000	650	111	1,761
Real estate mortgages	(c) 5.2%	208		36	244	6.4%	121		5	126
ESOP Loans	(d) 2.9%	123		17	140	1.6%	21			21
Capital lease - real estate	(e) 5.3%	147		6	153	5.3%	158		6	164
Convert. debt due 2023	(f) 4.0%	5			5	8.8%	500	650	37	1,187
	(g) n/a			72	72	n/a				

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Term loan due 2013										
Revolver due 2011	(g)	n/a	44	9	53	n/a				
Foreign line of credit	(g)	3.7%	34		34	n/a				
Term loan due 2016	(h)	n/a				n/a				
Asset based lending	(h)	n/a				7.2%	273	101	374	
Revolver due 2013	(i)	n/a				3.7%	140	46	186	
Other long term debt	(j)		20		20					
Capitalized interest			(317)		(317)		(59)		(59)	
Totals			\$ 11,044	\$ 713	\$ 812	\$ 12,569	\$ 2,154	\$ 1,300	\$ 306	\$ 3,760

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	Nine Months Ended June 30, 2011					Nine Months Ended June 30, 2010					
	Effective Interest Rate	Cash Interest	Amort. Debt Discount	Amort. Deferred Cost & Other Fees	Total Interest Expense	Effective Interest Rate	Cash Interest	Amort. Debt Discount	Amort. Deferred Cost & Other Fees	Total Interest Expense	
Senior notes due 2018	(a)	7.5%	\$ 11,436	\$	\$ 458	\$ 11,894	n/a	\$	\$	\$	
Revolver due 2016	(a)	n/a			172	172	n/a				
Convert. debt due 2017	(b)	9.3%	3,000	2,099	332	5,431	9.2%	2,100	1,365	221	3,686
Real estate mortgages	(c)	5.6%	552		64	616	6.4%	368		14	382
ESOP Loans	(d)	2.5%	170		50	220	1.5%	63			63
Capital lease - real estate	(e)	5.4%	457		19	476	5.2%	478		19	497
Convert. debt due 2023	(f)	4.0%	16			16	9.0%	1,912	2,109	143	4,164
Term loan due 2013	(g)	n/a			73	73	n/a				
Revolver due 2011	(g)	n/a	54		48	102	n/a				
Foreign line of credit	(g)	3.8%	42			42	n/a				
Term loan due 2016	(h)	9.5%	13,405	572	838	14,815	n/a				
Asset based lending	(h)	6.2%	1,076	58	341	1,475	5.4%	862		303	1,165
Revolver due 2013	(i)	1.6%	160		79	239	3.0%	554		143	697
Other long term debt	(j)		91			91					
Capitalized interest			(551)			(551)		(195)			(195)
Totals			\$ 29,908	\$ 2,729	\$ 2,474	\$ 35,111		\$ 6,142	\$ 3,474	\$ 843	\$ 10,459

(a) On March 17, 2011, in an unregistered offering through a private placement under Rule 144A, Griffon issued, at par, \$550,000 of 7.125% Senior Notes due in 2018 (Senior Notes); interest on the Senior Notes is payable semi-annually. The Senior Notes can be redeemed prior to April 1, 2014 at a price of 100% of principal plus a make-whole premium and accrued interest; on or after April 1, 2014, the Senior Notes can be redeemed at a certain price (declining from 105.344% of principal on or after April 1, 2014 to 100% of principal on or after April 1, 2017), plus accrued interest. Proceeds from the Senior Notes were used to pay down the outstanding borrowings under a senior secured term loan facility and two senior secured revolving credit facilities of certain of the Company's subsidiaries. The Senior Notes are senior unsecured obligations of Griffon guaranteed by certain domestic subsidiaries, and are subject to certain covenants, limitations and restrictions.

On June 24, 2011, Griffon commenced an exchange offer to exchange the original Senior Notes for new 7.125% Senior Notes due in 2018 that will be identical in all material respects to the original Senior Notes, except that the new Senior Notes will be registered under the Securities Act of 1933. The exchange offer will remain open until 5:00 p.m. Eastern Standard Time on August 9, 2011, unless extended.

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

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are guaranteed by certain domestic subsidiaries and are secured, on a first priority basis, by substantially all assets of the Company and the guarantors. There was no outstanding balance as of June 30, 2011, and as of such date the Company was in compliance with the terms and covenants of the Credit Agreement.

At June 30, 2011, there were \$20,477 of standby letters of credit outstanding under the Credit Agreement; \$179,523 was available for borrowing at that date.

- (b) On December 21, 2009, Griffon issued \$100,000 principal of 4% convertible subordinated notes due 2017 (the 2017 Notes). The initial conversion rate of the 2017 Notes was 67.0799 shares of Griffon s common stock per \$1,000 principal amount of notes, corresponding to an initial conversion price of \$14.91 per share, a 23% conversion premium over the \$12.12 closing price on December 15, 2009. Griffon used 8.75% as the nonconvertible

debt-borrowing rate to discount the 2017 Notes and will amortize the debt discount through January 2017. At issuance, the debt component of the 2017 Notes was \$75,437 and debt discount was \$24,563. At September 30, 2010 and June 30, 2011, the 2017 Notes had a capital in excess of par component, net of tax, of \$15,720.

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

Griffon has other real estate mortgages, collateralized by real property, that bear interest at rates from 6.3% to 6.6% with maturities extending through 2016.

- (d) Griffon's Employee Stock Ownership Plan (ESOP) entered into a loan agreement in August 2010 to borrow \$20,000 over a one-year period, to be used to purchase Griffon common stock in the open market. The loan bears interest at a) LIBOR plus 2.5% or b) the lender's prime rate. After the first year, Griffon has the option to convert all or a portion of the outstanding loan to a five-year term. If converted, principal is payable in quarterly installments of \$250, beginning September 2011, with the remainder due at maturity. The loan is secured by shares purchased with the proceeds of the loan, and repayment is guaranteed by Griffon. At June 30, 2011, 1,398,677 shares have been purchased (some of which were purchased pursuant to a 10b5-1 repurchase plan); the outstanding balance was \$15,673 and \$4,327 was available for borrowing under the agreement. The Company expects to enter into an amendment to this loan agreement shortly that would (i) extend the end date for drawing down the \$20,000 borrowing availability from August 2011 to November 2011, (ii) change the starting date for quarterly amortization payments from September 2011 to December 2011, and extend the maturity date of the loan from August 2016 to November 2016.

In addition, the ESOP has a loan agreement, guaranteed by Griffon, which requires quarterly principal payments of \$156 and interest through the expiration date of September 2012 at which time the \$3,900 balance of the loan, and any outstanding interest, will be payable. The primary purpose of this loan was to purchase 547,605 shares of Griffon's common stock in October 2008. The loan is secured by shares purchased with the proceeds of the loan, and repayment is guaranteed by Griffon. The loan bears interest at rates based upon the prime rate or LIBOR. At June 30, 2011, \$4,532 was outstanding.

- (e) In October 2006, CBP entered into a capital lease totaling \$14,290 for real estate in Troy, Ohio. Approximately \$10,000 was used to acquire the building and the remaining amount was restricted for improvements. The lease matures in 2021, bears interest at a fixed rate of 5.1%, is secured by a mortgage on the real estate and is guaranteed by Griffon.
- (f) At June 30, 2011 and September 30, 2010, Griffon had \$532 of 4% convertible subordinated notes due 2023 (the 2023 Notes) outstanding. Holders of the 2023 Notes may require Griffon to repurchase all or a portion of their 2023 Notes on July 18, 2013 and 2018, if Griffon's common stock price is below the conversion price of the 2023 Notes, as well as upon a change in control. At June 30, 2011 and September 30, 2010, the 2023 Notes had no capital in excess of par value component as substantially all of these notes were put to Griffon at par and settled in July 2010.

In January 2010, Griffon purchased \$10,100 face value of the 2023 Notes for \$10,200 which, after proportionate reduction in related deferred financing costs, resulted in a net pre-tax gain from debt extinguishment of \$12. Capital in excess of par was reduced by \$300 for the equity portion of the extinguished 2023 Notes, and debt discount was reduced by \$200.

In December 2009, Griffon purchased \$19,200 face value of the 2023 Notes for \$19,400. Including a proportionate reduction in the related deferred financing costs, Griffon recorded an immaterial net pre-tax loss on the extinguishment. Capital in excess of par value was reduced by \$700 related to the equity portion of the extinguished 2023 Notes and the debt discount was reduced by \$500.

- (g) In November 2010, Clopay Europe GMBH (Clopay Europe) entered into a 10,000 revolving credit facility and a 20,000 term loan. The facility accrues interest at Euribor plus 2.35% per annum, and the term loan accrues interest at Euribor plus 2.45% per annum. The revolving facility matures in November 2011, but is renewable upon mutual agreement with the bank. The term loan can be drawn until August 2011 and, if drawn, repayment will

be in ten equal installments beginning September 2011 with maturity in December 2013. Under the term loan, Clopay Europe is required to maintain a certain minimum equity to assets ratio and keep leverage below a certain level, defined as the ratio of total debt to EBITDA. There were no borrowings under the term loan at June 30, 2011. Borrowings under the revolving facility at June 30, 2011 were 7,500 and 2,500 was available for borrowing. In July 2011, the full 20,000 was drawn on the Term Loan, with a portion of the proceeds used to repay borrowings under the revolving credit facility.

Clopay do Brazil, a subsidiary of Plastics, maintains lines of credit of approximately \$4,500. Interest on borrowings accrue at a rate of LIBOR plus 3.8% or CDI plus 5.6%. \$2,000 was borrowed under the lines and \$2,500 was available as of as of June 30, 2011.

- (h) In connection with the ATT acquisition, Clopay Ames True Temper Holding Corp. (Clopay Ames), a subsidiary of Griffon, entered into the \$375,000 secured term Loan (Term Loan) and a \$125,000 asset based lending agreement (ABL). The acquisition, including all related transaction costs, was funded by proceeds of the Term Loan, \$25,000 drawn under the New ABL, and \$168,000 of Griffon cash. ATT 's previous outstanding debt was repaid in connection with the acquisition.

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

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

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

- (j) Primarily capital leases.

At June 30, 2011, Griffon and its subsidiaries were in compliance with the terms and covenants of its credit agreements and loan agreements.

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

As part of the acquisition of ATT, Griffon acquired interest rate swaps that had fair values totaling \$3,845 at September 30, 2010. These swaps were terminated in October 2010 for \$4,303, including accrued interest of \$458.

NOTE 9 SHAREHOLDERS EQUITY

During 2010, Griffon granted 713,637 restricted shares; 703,845 shares issued to employees, substantially all of which were three to four-year cliff vesting, and a total fair value of \$7,989, or a weighted average fair value of \$11.35 per share; and 9,792 shares issued to Directors, vesting annually in equal installments over three years with total fair value of \$120, or a weighted average fair value of \$12.25 per share. In connection with the ATT acquisition, Griffon entered into certain retention arrangements with the ATT senior management team. Under these arrangements, the ATT management team purchased 239,145 shares of common stock and received 239,145 shares of restricted stock that vest in full after four years, subject to the attainment of a specified performance measure. During 2011, 107,509 restricted shares were forfeited which had a weighted average fair value of \$11.81 per share.

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During the third quarter of 2011, Griffon granted a total of 10,000 shares of restricted stock with three-year cliff vesting and a total fair value of \$99, or a weighted average fair value of \$9.94 per share.

During the second quarter of 2011, Griffon granted 365,000 restricted shares and 590,000 performance shares. The restricted shares had a total fair value of \$4,544, or a weighted average fair value of \$12.45 per share with 260,000 shares having a three-year cliff vesting; 30,000 shares, issued to Directors, vesting annually in equal installments over three years; and 75,000 shares vesting annually in equal installments over five years. The performance shares have a fair value of \$7,346, or a weighted average fair value of \$12.45 per share, and cliff vest when either the stock price of Griffon closes at \$16 per share for twenty consecutive trading days or in 7 years, whichever comes first.

During the first quarter of 2011, Griffon granted a total of 450,700 shares of restricted stock with three-year cliff vesting and a total fair value of \$5,956, or a weighted average fair value of \$13.22 per share.

The fair value of restricted stock and option grants is amortized over the respective vesting periods.

For the three and nine months ended June 30, 2011, stock based compensation expense totaled \$2,120 and \$6,767, respectively, compared to \$1,512 and \$4,447, respectively, for the prior year comparable periods.

NOTE 10 EARNINGS PER SHARE (EPS)

Basic EPS was calculated by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS was calculated by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding plus additional common shares that could be issued in connection with stock based compensation. The 2023 Notes and the 2017 Notes were anti-dilutive due to the conversion price being greater than the weighted-average stock price during the periods presented. Due to the net loss in the nine-month period ended June 30, 2011, the incremental shares from stock based compensation are anti-dilutive.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Weighted average shares outstanding - basic	59,606	59,018	59,387	58,944
Incremental shares from stock based compensation	919	1,136		953
Weighted average shares outstanding - diluted	60,525	60,154	59,387	59,897
Anti-dilutive options excluded from diluted EPS computation	1,200	865	1,200	1,037
Anti-dilutive restricted stock excluded from diluted EPS computation	850	86	850	86

Griffon has the intent and ability to settle the principal amount of the 2017 Notes in cash; therefore, the potential issuance of shares related to the principal amount of the 2017 Notes is not included in diluted shares.

NOTE 11 BUSINESS SEGMENTS

Griffon's reportable business segments are as follows:

Home & Building Products is a leading manufacturer and marketer of residential, commercial and industrial garage doors to professional installing dealers and major home center retail chains, as well as a global provider of non-powered landscaping products that make work easier for homeowners and professionals.

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Telephonics develops, designs and manufactures high-technology integrated information, communication and sensor system solutions to military and commercial markets worldwide.

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Plastics is an international leader in the development and production of embossed, laminated and printed specialty plastic films used in a variety of hygienic, health-care and industrial applications.

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

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2011	2010	2011	2010
REVENUE				
Home & Building Products:				
ATT	\$ 114,144	\$	\$ 353,985	\$
CBP	100,099	104,325	290,840	286,051
Home & Building Products	214,243	104,325	644,825	286,051
Telephonics	103,530	100,413	315,334	320,222
Plastics	137,509	122,288	385,654	339,887
Total consolidated net sales	\$ 455,282	\$ 327,026	\$ 1,345,813	\$ 946,160

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2011	2010	2011	2010
INCOME (LOSS) BEFORE TAXES AND DISCONTINUED OPERATIONS				
Segment operating profit (loss):				
Home & Building Products *	\$ 13,512	\$ 2,406	\$ 18,820	\$ 5,553
Telephonics	9,725	9,783	31,643	27,400
Plastics	(305)	6,691	9,007	12,138
Total segment operating profit	22,932	18,880	59,470	45,091
Unallocated amounts	(7,781)	(8,247)	(19,468)	(22,138)
Loss from debt extinguishment, net			(26,164)	(6)
Net interest expense	(12,463)	(3,679)	(34,839)	(10,124)
Income (loss) before taxes and discontinued operations	\$ 2,688	\$ 6,954	\$ (21,001)	\$ 12,823

Segment profit before depreciation, amortization, restructuring and fair value write-up of acquired inventory sold:

Home & Building Products	\$ 22,487	\$ 5,941	\$ 59,640	\$ 16,502
Telephonics	12,122	11,768	37,457	32,798
Plastics	6,048	11,718	27,065	28,611

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Total Segment profit before depreciation, amortization, restructuring and fair value write-up of acquired inventory sold	40,657	29,427	124,162	77,911
Unallocated amounts	(7,781)	(8,247)	(19,468)	(22,138)
Loss from debt extinguishment, net			(26,164)	(6)
Net interest expense	(12,463)	(3,679)	(34,839)	(10,124)
Segment depreciation and amortization	(15,607)	(9,058)	(44,817)	(29,100)
Restructuring charges	(2,118)	(1,489)	(4,723)	(3,720)
Fair value write-up of acquired inventory sold			(15,152)	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income (loss) before taxes and discontinued operations	\$ 2,688	\$ 6,954	\$ (21,001)	\$ 12,823
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* Includes nil and \$15,152 of costs related to the sale of inventory that was recorded at fair value in connection with acquisition accounting for ATT for the three and nine months ended June 30, 2011, respectively.

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

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2011	2010	2011	2010
<u>DEPRECIATION and AMORTIZATION</u>				
Segment:				
Home & Building Products:	\$ 7,460	\$ 2,046	\$ 21,548	\$ 7,229
Telephonics	1,794	1,985	5,211	5,398
Plastics	6,353	5,027	18,058	16,473
Total segment depreciation and amortization	15,607	9,058	44,817	29,100
Corporate	93	91	261	257
Total consolidated depreciation and amortization	\$ 15,700	\$ 9,149	\$ 45,078	\$ 29,357
<u>CAPITAL EXPENDITURES</u>				
Segment:				
Home & Building Products:	\$ 4,855	\$ 2,428	\$ 18,630	\$ 8,886
Telephonics	3,854	4,021	5,992	10,388
Plastics	14,415	2,325	40,031	6,624
Total segment	23,124	8,774	64,653	25,898
Corporate	113	118	321	683
Total consolidated capital expenditures	\$ 23,237	\$ 8,892	\$ 64,974	\$ 26,581
			At June 30, 2011	At September 30, 2010
<u>ASSETS</u>				
Segment assets:				
Home & Building Products:			\$ 956,536	\$ 918,012
Telephonics			266,024	268,373
Plastics			465,189	397,470
Total segment assets			1,687,749	1,583,855
Corporate			194,240	157,645
Total continuing assets			1,881,989	1,741,500
Assets of discontinued operations			5,114	6,882
Consolidated total			\$ 1,887,103	\$ 1,748,382

NOTE 12 COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) was as follows:

	Three months Ended June 30,	Nine Months Ended June 30,
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	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Net income (loss)	\$ 4,872	\$ 4,968	\$ (10,809)	\$ 11,292
Foreign currency translation adjustment	8,664	(17,787)	25,130	(32,223)
Pension other comprehensive income amortization, net of tax	426	388	1,277	1,164
Comprehensive income (loss)	<u>\$ 13,962</u>	<u>\$ (12,431)</u>	<u>\$ 15,598</u>	<u>\$ (19,767)</u>

NOTE 13 DEFINED BENEFIT PENSION EXPENSE

Defined benefit pension expense was as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Service cost	\$ 88	\$ 139	\$ 263	\$ 417
Interest cost	2,792	907	8,370	2,721
Expected return on plan assets	(2,843)	(343)	(8,524)	(1,029)
Amortization:				
Prior service cost	84	84	252	252
Recognized actuarial loss	571	512	1,713	1,536
Net periodic expense	\$ 692	\$ 1,299	\$ 2,074	\$ 3,897

NOTE 14 RECENT ACCOUNTING PRONOUNCEMENTS

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

NOTE 15 DISCONTINUED OPERATIONS

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

	At June 30, 2011		At September 30, 2010	
	Current	Long-term	Current	Long-term
Assets of discontinued operations:				
Prepaid and other current assets	\$ 1,387	\$	\$ 1,079	\$
Other long-term assets		3,727		5,803
Total assets of discontinued operations	\$ 1,387	\$ 3,727	\$ 1,079	\$ 5,803
Liabilities of discontinued operations:				
Accounts payable	\$	\$	\$ 8	\$
Accrued liabilities	4,042		4,281	
Other long-term liabilities		5,729		8,446
Total liabilities of discontinued operations	\$ 4,042	\$ 5,729	\$ 4,289	\$ 8,446

There was no Installation Services operating unit revenue for the three and nine months ended June 30, 2011 and 2010.

NOTE 16 RESTRUCTURING AND OTHER RELATED CHARGES

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The consolidation of the CBP manufacturing facilities plan, announced in June 2009, is substantially complete. For the project to date, CBP incurred pre-tax exit and restructuring costs of \$8,857, substantially all of which were cash charges; charges include \$1,175 for one-time termination benefits and other personnel costs, \$4,933 for excess facilities and related costs, and \$2,749 for other exit costs, primarily in connection with production realignment. CBP had \$10,297 in capital expenditures in order to effect the restructuring plan.

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Telephonics recognized \$603 of restructuring charges in the current quarter related to costs incurred in connection with the consolidation of the management of its Electronics Systems and Communication Systems operating units; such charges are all personnel related.

Restructuring and related charges recognized for the three and nine months ended June 30, 2011 and 2010 were follows:

	Workforce Reduction	Facilities & Exit Costs	Other Related Costs	Total
Amounts incurred in:				
Quarter ended December 31, 2009	\$ 279	\$ 694	\$ 38	\$ 1,011
Quarter ended March 31, 2010	124	775	321	1,220
Quarter ended June 30, 2010	94	819	576	1,489
Nine months ended June 30, 2010	\$ 497	\$ 2,288	\$ 935	\$ 3,720
Quarter ended December 31, 2010	\$ 239	\$ 791	\$ 363	\$ 1,393
Quarter ended March 31, 2011	61	470	681	1,212
Quarter ended June 30, 2011	1,134	450	534	2,118
Nine months ended June 30, 2011	\$ 1,434	\$ 1,711	\$ 1,578	\$ 4,723

At June 30, 2011, the accrued liability for the restructuring and related charges consisted of:

	Workforce Reduction	Facilities & Exit Costs	Other Related Costs	Total
Accrued liability at September 30, 2010	\$ 1,541	\$	\$	\$ 1,541
Charges	1,434	1,711	1,578	4,723
Payments	(1,299)	(1,711)	(1,578)	(4,588)
Accrued liability at June 30, 2011	\$ 1,676	\$	\$	\$ 1,676

NOTE 17 OTHER INCOME

For the quarters ended June 30, 2011 and 2010, Other income included a gain (loss) of \$24 and (\$610), respectively, of foreign exchange gains/losses, net, and \$311 and \$419, respectively, of investment expense.

For the nine months ended June 30, 2011 and 2010, Other income included losses of \$3 and \$776, respectively, of foreign exchange gains/losses, net, and \$996 and (\$419), respectively, of investment income (expense).

NOTE 18 WARRANTY LIABILITY

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

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Balance, beginning of period	\$ 5,681	\$ 4,760	\$ 5,896	\$ 5,707
Warranties issued and charges in estimated pre-existing warranties	779	1,235	2,159	2,554
Actual warranty costs incurred	(911)	(1,153)	(2,506)	(3,419)
Balance, end of period	\$ 5,549	\$ 4,842	\$ 5,549	\$ 4,842

NOTE 19 COMMITMENTS AND CONTINGENCIES

Legal and environmental

Department of Environmental Conservation of New York State (DEC), with ISC Properties, Inc. Lightron Corporation (Lightron), a wholly-owned subsidiary of Griffon, once conducted operations at a location in Peekskill in the Town of Cortlandt, New York (the Peekskill Site) owned by ISC Properties, Inc. (ISC), a wholly-owned subsidiary of Griffon. ISC sold the Peekskill Site in November 1982. Subsequently, Griffon was advised by the DEC that random sampling at the Peekskill Site and in a creek near the Peekskill Site indicated concentrations of solvents and other chemicals common to Lightron's prior plating operations. ISC then entered into a consent order with the DEC in 1996 (the Consent Order) to perform a remedial investigation and prepare a feasibility study. After completing the initial remedial investigation pursuant to the Consent Order, ISC was required by the DEC, and did conduct accordingly over the next several years, supplemental remedial investigations, including soil vapor investigations, under the Consent Order.

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

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

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

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

Department of Environmental Conservation of New York State, regarding Frankfort, NY site. During 2009, an underground fuel tank with surrounding soil contamination was discovered at the Frankfort, N.Y. site, which is the result of historical facility operations prior to ATT's ownership. On June 9, 2011 the DEC advised ATT by letter that it was requesting that ATT enter into an Order on Consent and Administrative Settlement (Proposed Order) to investigate and remediate other portions of the site, in addition to the contamination resulting from the underground tank, and for the payment of past costs allegedly incurred by New York State with respect to the site. ATT believes that the scope of its obligations to investigate and remediate other portions of the site, and its obligations to pay past costs, if any, are limited by a prior consent judgment entered into in 1991 by a predecessor company and the DEC. Nevertheless, ATT is in discussions with the DEC with respect to the scope of the Proposed Order. If ATT and the DEC are unable to reach agreement regarding this matter, there is a possibility that the DEC will use state funds to perform certain investigative and remedial actions and then institute a cost recovery action to obtain reimbursement from ATT of the costs expended by the state. ATT believes that it has adequately accrued for reasonably estimable investigation and remediation costs.

U.S. Government investigations and claims

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

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

General legal

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

NOTE 20 RELATED PARTY

In the second quarter of 2011, Goldman, Sachs & Co. acted as a co-manager and as an initial purchaser in connection with the Senior Notes offering and received customary fees in connection with the rendering of such services.

NOTE 21 CONSOLIDATING GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

Griffon's Senior Notes are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis by the domestic assets of Clopay Building Products Company, Inc., Clopay Plastic Products Company, Inc., Telephonics Corporation and Ames True Temper Inc. In accordance with Rule 3-10 of Regulation S-X promulgated under the Securities Act of 1933, presented below are condensed consolidating financial information as of and for the three and nine month periods ended June 30, 2011 and 2010. The financial information may not necessarily be indicative of results of operations or financial position had the guarantor companies or non-guarantor companies operated as independent entities. The guarantor companies and the non-guarantor companies include the consolidated financial results of their wholly-owned subsidiaries accounted for under the equity method.

CONDENSED CONSOLIDATING BALANCE SHEETS
At June 30, 2011

(\$ in thousands)	Parent Company	Guarantor Companies	Non- Guarantor Companies	Elimination	Consolidation
CURRENT ASSETS					
Cash and equivalents	\$ 174,739	\$ 29,911	\$ 41,904	\$	\$ 246,554
Accounts receivable, net of allowances		178,662	74,491		253,153
Contract costs and recognized income not yet billed, net of progress payments		63,536	1,018		64,554
Inventories, net		203,958	72,973		276,931
Prepaid and other current assets	16,755	48,450	1,011	(1,016)	65,200
Assets of discontinued operations			1,387		1,387
Total Current Assets	191,494	524,517	192,784	(1,016)	907,779
PROPERTY, PLANT AND EQUIPMENT, net					
	1,377	214,845	135,740		351,962
GOODWILL					
		278,275	83,301		361,576
INTANGIBLE ASSETS, net					
		156,212	74,378		230,590
INTERCOMPANY RECEIVABLE					
	468,372	275,625	25,204	(769,201)	
EQUITY INVESTMENTS IN SUBSIDIARIES					
	2,816,629	659,525	2,384,638	(5,860,792)	
OTHER ASSETS					
	55,554	44,045	13,599	(81,729)	31,469
ASSETS OF DISCONTINUED OPERATIONS					
			3,727		3,727
Total Assets	\$ 3,533,426	\$ 2,153,044	\$ 2,913,371	\$ (6,712,738)	\$ 1,887,103
CURRENT LIABILITIES					
Notes payable and current portion of long-term debt	\$ 1,125	\$ 4,356	\$ 13,826	\$	\$ 19,307
Accounts payable and accrued liabilities	31,033	188,881	52,253	(1,016)	271,151
Liabilities of discontinued operations			4,042		4,042
Total Current Liabilities	32,158	193,237	70,121	(1,016)	294,500
LONG-TERM DEBT, net of debt discounts					
	649,185	10,846	14,499		674,530
INTERCOMPANY Payables					
		34,195	735,006	(769,201)	
OTHER LIABILITIES					
	79,746	163,996	33,006	(81,729)	195,019
LIABILITIES OF DISCONTINUED OPERATIONS					
			5,729		5,729
Total Liabilities	761,089	402,274	858,361	(851,946)	1,169,778

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SHAREHOLDERS EQUITY	2,772,337	1,750,770	2,055,010	(5,860,792)	717,325
Total Liabilities and Shareholders Equity	\$ 3,533,426	\$ 2,153,494	\$ 2,913,371	\$ (6,712,738)	\$ 1,887,103

CONDENSED CONSOLIDATING BALANCE SHEETS

At September 30, 2010

(\$ in thousands)	Parent Company	Guarantor Companies	Non- Guarantor Companies	Elimination	Consolidation
CURRENT ASSETS					
Cash and equivalents	\$ 74,600	\$ 57,113	\$ 38,089	\$	\$ 169,802
Accounts receivable, net of allowances		181,549	70,480		252,029
Contract costs and recognized income not yet billed, net of progress payments		62,681	474		63,155
Inventories, net		211,920	56,881		268,801
Prepaid and other current assets	5,963	39,843	10,291	(315)	55,782
Assets of discontinued operations			1,079		1,079
Total Current Assets	80,563	553,106	177,294	(315)	810,648
PROPERTY, PLANT AND EQUIPMENT, net					
	1,267	205,085	108,574		314,926
GOODWILL					
		278,275	77,812		356,087
INTANGIBLE ASSETS, net					
		91,507	141,504		233,011
INTERCOMPANY RECEIVABLE					
		271,143	218,488	(489,631)	
EQUITY INVESTMENTS IN SUBSIDIARIES					
	3,269,975	1,091,359	2,546,639	(6,907,973)	
OTHER ASSETS					
	40,586	44,188	11,784	(68,651)	27,907
ASSETS OF DISCONTINUED OPERATIONS					
			5,803		5,803
Total Assets	\$ 3,392,391	\$ 2,534,663	\$ 3,287,898	\$ (7,466,570)	\$ 1,748,382
CURRENT LIABILITIES					
Notes payable and current portion of long-term debt	\$ 625	\$ 1,135	\$ 19,141	\$	\$ 20,901
Accounts payable and accrued liabilities	24,247	224,069	61,851	(315)	309,852
Liabilities of discontinued operations			4,289		4,289
Total Current Liabilities	24,872	225,204	85,281	(315)	335,042
LONG-TERM DEBT, net of debt discounts					
	82,382	44,902	376,651		503,935
INTERCOMPANY PAYABLES					
		238,392	251,239	(489,631)	
OTHER LIABILITIES					
	76,821	113,394	68,680	(68,651)	190,244
LIABILITIES OF DISCONTINUED OPERATIONS					
			8,446		8,446
Total Liabilities	184,075	621,892	790,297	(558,597)	1,037,667
SHAREHOLDERS EQUITY					
	3,208,316	1,912,771	2,497,601	(6,907,973)	710,715
Total Liabilities and Shareholders Equity	\$ 3,392,391	\$ 2,534,663	\$ 3,287,898	\$ (7,466,570)	\$ 1,748,382

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the Three Months Ended June 30, 2011

(\$ in thousands)	Parent Company	Guarantor Companies	Non- Guarantor Companies	Elimination	Consolidation
Revenue	\$	\$ 344,229	\$ 121,993	\$ (10,940)	\$ 455,282
Cost of goods and services		255,237	112,185	(11,309)	356,113
Gross profit		88,992	9,808	369	99,169
Selling, general and administrative expenses	6,285	62,190	13,663	(93)	82,045
Restructuring and other related charges		2,016	102		2,118
Total operating expenses	6,285	64,206	13,765	(93)	84,163
Income (loss) from operations	(6,285)	24,786	(3,957)	462	15,006
Other income (expense)					
Interest income (expense), net	(3,600)	2,667	(11,530)		(12,463)
Other, net	(1,349)	7,139	(5,706)	61	145
Total other income (expense)	(4,949)	9,806	(17,236)	61	(12,318)
Income (loss) before taxes and discontinued operations	(11,234)	34,592	(21,193)	523	2,688
Provision (benefit) for income taxes	(8,708)	10,254	(3,730)		(2,184)
Income (loss) before equity in net income of subsidiaries	(2,526)	24,338	(17,463)	523	4,872
Equity in net income of subsidiaries	6,875	(12,237)	24,338	(18,976)	
Loss from operations	4,349	12,101	6,875	(18,453)	4,872
Income from discontinued operations					
Net loss	\$ 4,349	\$ 12,101	\$ 6,875	\$ (18,453)	\$ 4,872

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For The Three Months Ended June 30, 2010

(\$ in thousands)	Parent Company	Guarantor Companies	Non- Guarantor Companies	Elimination	Consolidation
Revenue	\$	\$ 249,885	\$ 74,832	\$ 2,309	\$ 327,026
Cost of goods and services		186,952	63,666	2,053	252,671
Gross profit		62,933	11,166	256	74,355
Selling, general and administrative expenses	7,229	45,457	9,028	(64)	61,650
Restructuring and other related charges		1,489			1,489
Total operating expenses	7,229	46,946	9,028	(64)	63,139
Income (loss) from operations	(7,229)	15,987	2,138	320	11,216
Other income (expense)					
Interest income (expense), net	(2,613)	1,101	(2,167)		(3,679)
Gain from debt extinguishment, net					
Other, net	(425)	2,042	(1,880)	(320)	(583)
Total other income (expense)	(3,038)	3,143	(4,047)	(320)	(4,262)
Income (loss) before taxes and discontinued operations	(10,267)	19,130	(1,909)		6,954
Provision (benefit) for income taxes	(4,879)	6,590	254		1,965
Income (loss) before equity in net income of subsidiaries	(5,388)	12,540	(2,163)		4,989
Equity in net income of subsidiaries	10,356	(2,275)	12,540	(20,621)	
Income from operations	4,968	10,265	10,377	(20,621)	4,989
Loss from discontinued operations			(21)		(21)
Net income	\$ 4,968	\$ 10,265	\$ 10,356	\$ (20,621)	\$ 4,968

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the Nine Months Ended June 30, 2011

(\$ in thousands)	Parent Company	Guarantor Companies	Non- Guarantor Companies	Elimination	Consolidation
Revenue	\$	\$ 1,013,130	\$ 361,365	\$ (28,682)	\$ 1,345,813
Cost of goods and services		778,650	308,669	(29,677)	1,057,642
Gross profit		234,480	52,696	995	288,171
Selling, general and administrative expenses	16,848	187,151	43,103	(249)	246,853
Restructuring and other related charges		4,498	225		4,723
Total operating expenses	16,848	191,649	43,328	(249)	251,576
Income (loss) from operations	(16,848)	42,831	9,368	1,244	36,595
Other income (expense)					
Interest income (expense), net	(8,997)	4,366	(30,208)		(34,839)
Loss from debt extinguishment, net		(397)	(25,767)		(26,164)
Other, net	(42)	4,908	(738)	(721)	3,407
Total other income (expense)	(9,039)	8,877	(56,713)	(721)	(57,596)
Income (loss) before taxes and discontinued operations	(25,887)	51,708	(47,345)	523	(21,001)
Provision (benefit) for income taxes	(14,594)	21,471	(17,069)		(10,192)
Income (loss) before equity in net income of subsidiaries	(11,293)	30,237	(30,276)	523	(10,809)
Equity in net income (loss) of subsidiaries	(39)	2,122	30,237	(32,320)	
Loss from operations	(11,332)	32,359	(39)	(31,797)	(10,809)
Income from discontinued operations					
Net income (loss)	\$ (11,332)	\$ 32,359	\$ (39)	\$ (31,797)	\$ (10,809)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For The Nine Months Ended June 30, 2010

(\$ in thousands)	<u>Parent Company</u>	<u>Guarantor Companies</u>	<u>Non- Guarantor Companies</u>	<u>Elimination</u>	<u>Consolidation</u>
Revenue	\$	\$ 720,738	\$ 227,842	\$ (2,420)	\$ 946,160
Cost of goods and services		539,936	195,707	(3,189)	732,454
Gross profit		180,802	32,135	769	213,706
Selling, general and administrative expenses	20,950	140,396	26,512	(192)	187,666
Restructuring and other related charges		3,720			3,720
Total operating expenses	20,950	144,116	26,512	(192)	191,386
Income (loss) from operations	(20,950)	36,686	5,623	961	22,320
Other income (expense)					
Interest income (expense), net	(6,851)	3,772	(7,045)		(10,124)
Loss from debt extinguishment, net	(6)				(6)
Other, net	(425)	3,705	(1,686)	(961)	633
Total other income (expense)	(7,282)	7,477	(8,731)	(961)	(9,497)
Income (loss) before taxes and discontinued operations	(28,232)	44,163	(3,108)		12,823
Provision (benefit) for income taxes	(12,401)	15,356	(1,335)		1,620
Income (loss) before equity in net income of subsidiaries	(15,831)	28,807	(1,773)		11,203
Equity in net income (loss) of subsidiaries	27,123	(2,048)	28,807	(53,882)	
Income (loss) from operations	11,292	26,759	27,034	(53,882)	11,203
Income from discontinued operations			89		89
Net income (loss)	\$ 11,292	\$ 26,759	\$ 27,123	\$ (53,882)	\$ 11,292

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Nine Months Ended June 30, 2011

(\$ in thousands)	<u>Parent Company</u>	<u>Guarantor Companies</u>	<u>Non- Guarantor Companies</u>	<u>Elimination</u>	<u>Consolidation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net loss	\$ (11,332)	\$ 32,359	\$ (39)	\$ (31,797)	\$ (10,809)
Net cash used in operating activities	21,279	35,824	(44,048)		13,055
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment	(321)	(36,400)	(28,253)		(64,974)
Acquired business, net of cash acquired		(1,066)	211		(855)
Intercompany distributions	10,000	(10,000)			
Funds restricted for capital projects		3,875			3,875
Proceeds from sale of investment			1,333		1,333
Increase in equipment lease deposits					
Net cash provided by (used in) investing activities	9,679	(43,591)	(26,709)		(60,621)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of long-term debt	565,673		75,290		640,963
Payments of long-term debt	(469)	(30,850)	(463,890)		(495,209)
Decrease in short-term borrowings			12,730		12,730
Intercompany debt	(468,372)		468,372		
Financing costs	(14,354)		(6,989)		(21,343)
Purchase of ESOP shares	(15,673)		(1)		(15,674)
Exercise of stock options	20				20
Tax benefit from vesting of restricted stock	2,334				2,334
Other, net	22	11,415	(11,415)		22
Net cash provided by financing activities	69,181	(19,435)	74,097		123,843
Net cash used in discontinued operations			(829)		(829)
Effect of exchange rate changes on cash and equivalents			1,304		1,304
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	100,139	(27,202)	3,815		76,752
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	74,600	57,113	38,089		169,802
CASH AND EQUIVALENTS AT END OF PERIOD	\$ 174,739	\$ 29,911	\$ 41,904	\$	\$ 246,554

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For The Nine Months Ended June 30, 2010

(\$ in thousands)	Parent Company	Guarantor Companies	Non- Guarantor Companies	Elimination	Consolidation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	\$ 11,292	\$ 26,759	\$ 27,123	\$ (53,882)	\$ 11,292
Net cash provided by (used in) operating activities	(13,129)	63,984	(2,661)		48,194
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment	(683)	(21,760)	(4,138)		(26,581)
Intercompany distributions	7,500	(7,500)			
Decrease in equipment lease deposits		(1,040)			(1,040)
Net cash provided by (used in) investing activities	6,817	(30,300)	(4,138)		(27,621)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of long-term debt	100,000				100,000
Payments of long-term debt	(30,144)	(50,724)	(182)		(81,050)
Financing costs	(4,145)				(4,145)
Exercise of stock options	299				299
Tax benefit from vesting of restricted stock	99				99
Other, net	192	5,047	(5,047)		192
Net cash provided by (used in) financing activities	66,301	(45,677)	(5,229)		15,395
Net cash used in discontinued operations			(449)		(449)
Effect of exchange rate changes on cash and equivalents			(4,719)		(4,719)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS					
	59,989	(11,993)	(17,196)		30,800
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD					
	223,511	37,865	59,457		320,833
CASH AND EQUIVALENTS AT END OF PERIOD					
	\$ 283,500	\$ 25,872	\$ 42,261	\$	\$ 351,633

NOTE 22 SUBSEQUENT EVENT

Griffon's Board of Directors has authorized the repurchase of up to an additional \$50,000 of Griffon's outstanding common stock. Approximately 1,366,000 shares of common stock remain available for repurchase pursuant to an existing buyback program. Under the repurchase programs, the Company may, from time to time, purchase shares of its common stock, depending upon market conditions, in open market or privately negotiated transactions, including pursuant to a 10b5-1 plan.

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

BUSINESS OVERVIEW (in thousands, except per share data)

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

Griffon operates through three business segments: Home & Building Products, Telephonics Corporation and Clopay Plastic Products Company.

Home & Building Products (HBP) consists of:

- Clopay Building Products Company (CBP), a leading manufacturer and marketer of residential, commercial and industrial garage doors to professional installing dealers and major home center retail chains.
- Ames True Temper, Inc. (ATT), acquired on September 30, 2010, is a global provider of non-powered landscaping products that make work easier for homeowners and professionals. Due to the timing of the acquisition, none of ATT's 2010 results of operations were included in Griffon's results for the year ended September 30, 2010.

Telephonics Corporation (Telephonics) designs, develops and manufactures high-technology integrated information, communication and sensor system solutions to military and commercial markets worldwide.

Clopay Plastic Products Company (Plastics) is an international leader in the development and production of embossed, laminated and printed specialty plastic films used in a variety of hygienic, health-care and industrial applications.

The purchase of ATT occurred on September 30, 2010. Accordingly, ATT's results of operations are not included in Griffon's consolidated statements of operations or cash flows or related footnotes for any period presented prior to September 30, 2010, except where explicitly stated as pro forma results. Griffon's consolidated balance sheet at September 30, 2010 and related footnotes include ATT's balances at that date. The accounts of the acquired company, after adjustments to reflect fair market values assigned to assets and liabilities, have been included in Griffon's consolidated financial statements from the date of acquisition.

OVERVIEW

Revenue for the quarter ended June 30, 2011 was \$455,282, compared to \$327,026 in the prior year quarter. Income from continuing operations was \$4,872, or \$0.08 per diluted share, compared to \$4,989, or \$0.08 per share, in the prior year quarter. The current quarter results included the following:

- \$2,118 (\$1,377, net of tax, or \$0.02 per share) of restructuring charges; and
- \$3,077, or \$0.05 per share, of discrete tax items and the quarter impact of changes in the expected annual effective tax rate, net.

The prior year quarter included \$1,489 (\$968, net of tax, or \$0.02 per share) of restructuring charges.

Excluding these items from both periods, income from continuing operations would have been \$3,172, or \$0.05 per share, compared to \$5,957, or \$0.10 per share, in the prior year quarter. Income (loss) from discontinued operations for the June 2011 and 2010 third quarters was essentially nil. Net income for the third quarter of 2011 was \$4,872, or \$0.08 per share, compared to \$4,968, or \$0.08 per share, in the prior year quarter.

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On a pro forma basis, as if ATT was purchased on October 1, 2009, third quarter revenue would have been \$455,282, a 0.2% increase in comparison to \$454,498 for the prior year quarter. Net income from continuing operations was \$4,872, or \$0.08 per share, compared to \$10,783, or \$0.18 per share, in the prior year quarter. Adjusting these results for the same items discussed above, current quarter income from continuing operations would have been \$3,172, or \$0.05 per share, compared to \$12,504, or \$0.21 per share, in the prior year quarter.

Revenue for the nine months ended June 30, 2011 was \$1,345,813, compared to \$946,160 in the prior year period. Loss from continuing operations was \$10,809 or \$0.18 per diluted share, compared to income of \$11,203, or \$0.19 per share, in the prior year period. The current year results included the following:

- Charges of \$26,164 (\$16,813, net of tax, or \$0.28 per share) related to debt extinguishment;
- \$15,152 (\$9,849, net of tax, or \$0.17 per share) of increased cost of goods related to the sale of inventory recorded at fair value in connection with acquisition accounting for ATT;
- \$4,723 (\$3,070, net of tax, or \$0.05 per share) of restructuring charges; and
- \$4,513, or \$0.08 per share, of discrete tax benefits, net.

The prior year results included the following:

- \$3,720 (\$2,418, net of tax, or \$0.04 per share) related to the restructuring charges; and
- \$1,881, or \$0.03 per share, related to discrete tax benefits, net.

Excluding these items from both reporting periods, income from continuing operations for the nine months ended June 30, 2011 would have been \$14,410 or \$0.24 per share, compared to \$11,740, or \$0.20 per share, in the prior year period.

Income from discontinued operations for the June 2011 and 2010 year-to-date periods was essentially nil.

The net loss for the current year period was \$10,809 or \$0.18 per share, compared to net income of \$11,292, or \$0.19 per share, in the prior year period.

On a pro forma basis, as if ATT was purchased on October 1, 2009, revenue for the nine months ended June 30, 2011 of \$1,345,813 would have increased 3% in comparison to pro forma revenues of \$1,308,164 for the comparable 2010 period. The net loss from continuing operations for the nine-month period ended June 30, 2011 was \$10,809 or \$0.18 per share, compared to pro forma income of \$24,520, or \$0.41 per share, for the prior year comparable period. Adjusting these results for the same items discussed above, current period income from continuing operations would have been \$14,410 or \$0.24 per share, compared to pro forma income of \$26,171, or \$0.44 per share, in the prior year comparable period.

On March 17, 2011, Griffon issued \$550,000 aggregate principal amount of senior notes due 2018 (Senior Notes), at par, and will pay interest semi-annually at a rate of 7.125% per annum. The Senior Notes are senior unsecured obligations of Griffon and are guaranteed by certain of its domestic subsidiaries. Proceeds from issuance of the Senior Notes were used to repay the balances outstanding under the Clopay Ames True Temper Holding Corp. (Clopay Ames) secured term loan (Term Loan) and the Clopay Ames asset based lending agreement (ABL).

On March 18, 2011, Griffon entered into a \$200,000 five-year revolving credit facility that refinanced and replaced the existing revolving credit facilities at each of Telephonics and Clopay Ames.

The Senior Notes, along with the revolving credit facility, completed the refinancing of substantially all of Griffon's domestic subsidiary debt with new debt at the parent company level.

Griffon also evaluates performance based on Earnings per share and Income (loss) from continuing operations excluding restructuring charges, gain (loss) from debt extinguishment, discrete tax items and costs related to the fair value of inventory for acquisitions. Griffon believes this information is useful to

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investors for the same reason. The following table provides a reconciliation of Earnings per share and Income (loss) from continuing operations to Adjusted earnings per share and Adjusted income (loss) from continuing operations:

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

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2011	2010	2011	2010
Income (loss) from continuing operations	\$ 4,872	\$ 4,989	\$ (10,809)	\$ 11,203
Adjusting items, net of tax:				
Loss from debt extinguishment, net			16,813	
Fair value write-up of acquired inventory sold			9,849	
Restructuring	1,377	968	3,070	2,418
Discrete and other tax items, net	(3,077)		(4,513)	(1,881)
Adjusted income from continuing operations	<u>\$ 3,172</u>	<u>\$ 5,957</u>	<u>\$ 14,410</u>	<u>\$ 11,740</u>
Diluted earnings (loss) per common share	\$ 0.08	\$ 0.08	\$ (0.18)	\$ 0.19
Adjusting items, net of tax:				
Loss from debt extinguishment, net			0.28	
Fair value write-up of acquired inventory sold			0.17	
Restructuring	0.02	0.02	0.05	0.04
Discrete and other tax items, net	(0.05)		(0.08)	(0.03)
Adjusted diluted earnings per common share	<u>\$ 0.05</u>	<u>\$ 0.10</u>	<u>\$ 0.24</u>	<u>\$ 0.20</u>
Weighted-average shares outstanding (in thousands)	<u>60,525</u>	<u>60,154</u>	<u>59,387</u>	<u>59,897</u>

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

RESULTS OF OPERATIONS

Three and nine months ended June 30, 2011 and 2010

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

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	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2011	2010	2011	2010
Segment profit before depreciation, amortization, restructuring and fair value write-up of acquired inventory sold:				
Home & Building Products	\$ 22,487	\$ 5,941	\$ 59,640	\$ 16,502
Telephonics	12,122	11,768	37,457	32,798
Plastics	6,048	11,718	27,065	28,611
Total Segment profit before depreciation, amortization, restructuring and fair value write-up of acquired inventory sold	40,657	29,427	124,162	77,911
Unallocated amounts	(7,781)	(8,247)	(19,468)	(22,138)
Loss from debt extinguishment, net			(26,164)	(6)
Net interest expense	(12,463)	(3,679)	(34,839)	(10,124)
Segment depreciation and amortization	(15,607)	(9,058)	(44,817)	(29,100)
Restructuring charges	(2,118)	(1,489)	(4,723)	(3,720)
Fair value write-up of acquired inventory sold			(15,152)	
Income (loss) before taxes and discontinued operations	\$ 2,688	\$ 6,954	\$ (21,001)	\$ 12,823

Home & Building Products

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2011		2010		2011		2010	
Revenue:								
ATT	\$ 114,144		\$		\$ 353,985		\$	
CBP	100,099		104,325		290,840		286,051	
Home & Building Products	214,243		104,325		644,825		286,051	
Segment operating profit (loss)	13,512	6.3%	2,406	2.3%	18,820	2.9%	5,553	1.9%
Depreciation and amortization	7,460		2,046		21,548		7,229	
Fair value write-up of acquired inventory sold					15,152			
Restructuring charges	1,515		1,489		4,120		3,720	
Segment profit before depreciation, amortization and restructuring	\$ 22,487	10.5%	\$ 5,941	5.7%	\$ 59,640	9.2%	\$ 16,502	5.8%

For the quarter ended June 30, 2011, Segment revenue increased \$109,918, or 105%, compared to the prior year quarter primarily due to the inclusion of ATT's revenue. On a pro forma basis, prepared as if ATT was purchased on October 1, 2009, revenue decreased \$17,554, or 8%, compared to the prior year quarter. For the quarter, ATT and CBP revenue decreased 10% and 4%, respectively, driven mainly by lower volume. The decline in ATT revenue was primarily the result of inclement weather in the quarter with a resultant impact on the sell-through of lawn and garden tools. The decline in CBP volume was mainly the result of a difficult comparative with the prior year period when sales benefited from home and energy tax credits; such tax credits are no longer in place.

For the quarter ended June 30, 2011, Segment operating profit was \$13,512 compared to \$2,406 in the prior year quarter. The increase was primarily driven by the inclusion of ATT's operating profit in the current period's results. On a pro forma basis, as if ATT was purchased on October 1, 2009, segment operating profit in the prior year quarter was \$19,107 compared to \$13,512 in the current year quarter. The decline in segment operating profit was mainly due to the volume declines at both ATT and CBP; increased material costs at both ATT and CBP also contributed to the decline.

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For the nine months ended June 30, 2011, segment revenue increased \$358,774, or 125%, compared to the prior year period primarily due to the inclusion of ATT's revenue. On a pro forma basis, prepared as if ATT was purchased on October 1, 2009, revenue decreased \$3,230, or 0.5%, compared the prior year period. For the nine month period, ATT revenue decreased 2% driven mainly by volume, primarily lawn tools, while CBP revenue increased 2%, driven mainly by volume.

For the nine months ended June 30, 2011, segment operating profit was \$18,820 compared to \$5,553 in the prior year. The benefit from the inclusion of ATT in current year segment results was partially offset by \$15,152 of increased costs of goods related to the sale of inventory recorded at fair value in connection

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with acquisition accounting for ATT. On a pro forma basis, as if ATT was purchased on October 1, 2009, segment operating profit in the prior year was \$49,401 compared to the segment operating profit of \$18,820 in the current year. In addition to the ATT inventory item, the decrease was primarily due to the impact of inclement weather on lawn tool sales, higher material costs for both ATT and CBP, and \$2,919 of lower receipts under the Byrd Amendment (anti-dumping compensation from the U.S. Government).

Telephonics

	Three Months Ended June 30,				Nine Months Ended June 30,							
	2011		2010		2011		2010					
Revenue	\$	103,530	\$	100,413	\$	315,334	\$	320,222				
Segment operating profit		9,725	9.4%	9,783	9.7%	31,643	10.0%	27,400	8.6%			
Depreciation and amortization		1,794		1,985		5,211		5,398				
Restructuring charges		603				603						
Segment profit before depreciation and amortization	\$	12,122	11.7%	\$	11,768	11.7%	\$	37,457	11.9%	\$	32,798	10.2%

For the quarter ended June 30, 2011, Telephonics revenue increased \$3,117, or 3%, compared to the prior year quarter. The increase was primarily attributable to an increase in Ground Surveillance Radars (GSR) (\$6,091) and LAMPS MMR revenue (\$7,611); these increases were partially offset by a decrease in CREW 3.1 revenue.

For the quarter ended June 30, 2011, Segment operating profit remained consistent, and operating profit margin declined 30 basis points from the prior year quarter primarily due to the restructuring charge and higher selling, general and administrative expenses due to the timing of proposal activities and research and development initiatives, partially offset by gross profits from increased revenue. Telephonics recognized \$603 of restructuring charges in the current quarter in connection with the consolidation of the management of its Electronics Systems and Communication Systems operating units; such charges are all personnel related.

For the nine months ended June 30, 2011, Telephonics revenue decreased \$4,888, or 2%, compared to the prior year primarily due to the timing of the transition on the Automatic Radar Periscope Detection and Discrimination (ARPDD) program from the development to the production phase , the CREW 3.1 program , and the lower rate of production on the C-17 program; the decreases were partially offset by an increase in GSR and LAMPS MMR revenue.

For the nine months ended June 30, 2011, Segment operating profit increased \$4,243, or 15%, and operating profit margin improved 140 basis points from the prior year due to program mix, as well as lower selling, general and administrative expenses due to the timing of proposal activities, and research and development initiatives.

During the quarter, Telephonics was awarded several new contracts and received incremental funding on current contracts totaling \$105,000. Contract backlog was \$442,000 at June 30, 2011 with 76% expected to be realized in the next 12 months. Backlog was \$407,000 at September 30, 2010 and \$405,000 at June 30, 2010. Backlog is defined as unfilled firm orders for products and services for which funding has been both authorized and appropriated by the customer or congress, in the case of the U.S. government agencies.

Plastics

	Three Months Ended June 30,				Nine Months Ended June 30,				
	2011		2010		2011		2010		
Revenue	\$	137,509	\$	122,288	\$	385,654	\$	339,887	
Segment operating profit		(305)	NM	6,691	5.5%	9,007	2.3%	12,138	3.6%
Depreciation and amortization		6,353		5,027		18,058		16,473	

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Segment profit before depreciation and
amortization

\$	6,048	4.4%	\$	11,718	9.6%	\$	27,065	7.0%	\$	28,611	8.4%
	<u> </u>			<u> </u>			<u> </u>			<u> </u>	

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For the quarter ended June 30, 2011, Plastics revenue increased \$15,221, or 12%, compared to the prior year quarter primarily due to the favorable impact of foreign exchange translation (8%), and the pass through of higher resin costs in customer selling prices (5%); product mix accounted for the balance of the variation.

For the quarter ended June 30, 2011, Segment operating profit decreased \$6,996 compared to the prior year quarter. The decline was driven by higher than anticipated start up costs in both Germany and Brazil, related to expanding capacity and product offerings to meet increased customer demand; the start up costs include higher than normal levels of scrap production. There were no significant disruptions in customer service in connection with the scaling up of production of newly installed assets. While improvement in operations in the newly expanded locations is occurring, the Company expects that Plastics will continue to operate at below normal efficiency levels for the next three quarters.

For the nine months ended June 30, 2011, Plastics revenue increased \$45,767, or 13%, compared to the prior year period primarily due to higher volumes, the benefit from the pass through of higher resin costs in customer selling prices, product mix and the favorable impact of foreign exchange translation.

For the nine months ended June 30, 2011, segment operating profit decreased \$3,131 compared to the prior year for the reasons noted above with respect to the third quarter.

Unallocated

For the quarter ended June 30, 2011, unallocated amounts totaled \$7,781 compared to \$8,247 in the prior year. The decrease was primarily due to higher legal and consulting expenses related to acquisition due diligence in the prior year. For the nine months ended June 30, 2011, unallocated amounts totaled \$19,468 compared to \$22,138 in the prior year. The decrease was primarily due to the absence of legal and consulting expenses related to acquisition due diligence, which were incurred in the prior year period.

Segment Depreciation and Amortization

Segment depreciation and amortization increased \$6,549 and \$15,717 for the three and nine month periods ending June 30, 2011 over the prior year periods primarily due to the increased depreciation and amortization related to the ATT acquisition.

Other income (expense)

For the quarter and nine month period ended June 30, 2011, interest expense increased \$8,809 and \$24,652, respectively, compared to the prior year periods, primarily as a result of debt incurred for the acquisition of ATT.

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

For the nine months ended June 30, 2010, Griffon recorded a non-cash, pre-tax loss from debt extinguishment of \$6, net of a proportionate write-off of deferred financing costs, which resulted from its purchase of \$29,392 of its outstanding convertible notes.

For the quarters ended June 30, 2011 and 2010, Other income included a gain (loss) of \$24 and (\$610), respectively, of foreign exchange gains/losses, net, and \$311 and \$419, respectively, of investment expense.

For the nine months ended June 30, 2011 and 2010, Other income included losses of \$3 and \$776, respectively, of foreign exchange gains/losses, net, and \$996 and (\$419), respectively, of investment income (expense).

Provision for income taxes

Griffon's effective tax rate for continuing operations for the current quarter was a benefit of 81.3%, compared to a provision of 28.3% in the prior year quarter. The June 30, 2011 quarter effective rate reflected a change in earnings mix between domestic and non-domestic, and the results of ATT, acquired on

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September 30, 2010. Certain discrete tax benefits impacted the effective rates in both reporting periods. The current quarter included benefits arising on the filing of tax returns in various jurisdictions, and tax planning related to unremitted foreign earnings; the 2010 effective rate reflected benefits arising on the filing of tax returns in various jurisdictions. Excluding these discrete items, the effective rate on continuing operations would have been 77.7% in the current quarter compared to 27.3% in the prior year quarter. The 77.7% tax rate is impacted by the combined effects of the nominal pretax income in the current quarter combined with a forecast full year pretax loss for 2011, as well as fluctuations in the full year expected effective tax rate driven by changes in earnings mix between domestic and non-domestic operations.

Griffon's effective tax rate for continuing operations for the nine months ended June 30, 2011 was a benefit of 48.5%, compared to a provision of 12.6% in the prior year period. The 2011 effective tax rate reflected a change in earnings mix between domestic and non-domestic and includes the results of ATT, acquired on September 30, 2010. Certain discrete tax benefits impacted the effective tax rates in both reporting periods. The 2011 rate included benefits arising in connection with the retroactively extended research tax credit signed into law on December 22, 2010, the filing of tax returns in various jurisdictions, and tax planning related to unremitted foreign earnings. The 2010 effective rate benefited from resolution of certain non-domestic tax audits resulting in the release of previously established reserves for uncertain tax positions, combined with the benefit of certain tax planning initiatives with respect to non-U.S. operating locations, and a benefit arising on the filing of certain of tax returns in various jurisdictions. Excluding these discrete items, the effective rate on continuing operations for the nine months ended June 30, 2011 would have been a benefit of 27.0% compared to 27.3% in the comparable prior year period.

Stock based compensation

For the three and nine months ended June 30, 2011, stock based compensation expense totaled \$2,120 and \$6,767, respectively, compared to \$1,512 and \$4,447, respectively, for the prior year comparable periods.

Discontinued operations Installation Services

In 2008, Griffon exited substantially all of the operating activities of its Installation Services segment; this segment sold, installed and serviced garage doors, garage door openers, fireplaces, floor coverings, cabinetry and a range of related building products primarily for the new residential housing market. Operating results of substantially all of the segment has been reported as discontinued operations in the Consolidated Statements of Operations for all periods presented; the Installation Services segment is excluded from segment reporting.

Griffon substantially concluded its remaining disposal activities in the second quarter of 2009. There was no revenue in the three and nine-month periods ended June 30, 2011 and 2010.

Net income from discontinued operations of the Installation Services business was nil for the three and nine months ended June 30, 2011, and a loss of \$21 and income of \$89 for the three and nine months ended June 30, 2010, respectively.

LIQUIDITY AND CAPITAL RESOURCES

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

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

Cash Flows from Continuing Operations <i>(in thousands)</i>	Nine Months Ended June 30,	
	2011	2010
Net Cash Flows Provided by (Used In):		
Operating activities	\$ 13,055	\$ 48,194
Investing activities	(60,621)	(27,621)
Financing activities	123,843	15,395

Cash flows provided by continuing operations for the nine months ended June 30, 2011 were \$13,055 compared to \$48,194 in the prior year quarter. Current assets net of current liabilities, excluding short-term debt and cash, increased to \$386,032 at June 30, 2011 compared to \$326,705 at September 30, 2010, primarily as a result of decreases in accounts payable, accrued liabilities and income taxes payable. Operating cash flows were affected by an increase in inventories as well as the decrease in accounts payable and accrued liabilities.

During the nine months ended June 30, 2011, Griffon used cash for investing activities of \$60,621 compared to \$27,621 in the prior year period, primarily for capital expenditures. Griffon expects capital spending to be in the range of \$85,000 to \$90,000 for 2011.

During the nine months ended June 30, 2011, cash provided by financing activities totaled \$123,843 compared to \$15,395 in the prior year period. Griffon issued \$145,754 of debt, net of payments, in 2011, which included issuing \$550,000 of 7.125% Senior Notes due in 2018 (Senior Notes) and repaying the \$375,000 Term Loan, \$25,000 under the Clopay Ames ABL and \$30,000 under the TCA. In the prior year, Griffon issued \$100,000 principal of 4% convertible subordinated notes, due 2017 (the 2017 Notes).

Payments related to Telephonics revenue are received in accordance with the terms of development and production subcontracts to which Telephonics is a party; certain of these receipts are progress payments. Plastics customers are generally substantial industrial companies whose payments have been steady, reliable and made in accordance with the terms governing such sales. Plastics sales satisfy orders received in advance of production; payment terms are established in advance. With respect to Home & Building Products, there have been no material adverse impacts on payment for sales.

A small number of customers account for, and are expected to continue to account for, a substantial portion of Griffon's consolidated revenue. For the nine months ended June 30, 2011:

The United States Government and its agencies, through either prime or subcontractor relationships, represented 17% of Griffon's consolidated revenue and 74% of Telephonics revenue.

Procter & Gamble represented 14% of Griffon's consolidated revenue and 48% of Plastics revenue.

The Home Depot represented 13% of Griffon's consolidated revenue and 26% of Home & Building Products revenue.

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

Cash, Cash Equivalents and Debt <i>(in thousands)</i>	At June 30, 2011	At September 30, 2010
Cash and equivalents	\$ 246,554	\$ 169,802
Notes payables and current portion of long-term debt	19,307	20,901
Long-term debt, net of current maturities	674,530	503,935
Debt discount	20,426	30,650
Total debt	714,263	555,486
Net cash and equivalents (debt)	\$ (467,709)	\$ (385,684)

On March 17, 2011, in an unregistered offering through a private placement under Rule 144A, Griffon issued, at par, \$550,000 of 7.125% Senior Notes due in 2018 (Senior Notes); interest on the Senior Notes is payable semi-annually. Proceeds were used to pay down the outstanding borrowings under a senior secured term loan facility and two senior secured revolving credit facilities of certain of the Company's subsidiaries. The Senior Notes are senior unsecured obligations of Griffon guaranteed by certain domestic subsidiaries, and are subject to certain covenants, limitations and restrictions.

On June 24, 2011, Griffon filed a Registration Statement on Form S-4 with the SEC to effect an offer to exchange the original Senior Notes for new 7.125% Senior Notes due in 2018 that will be identical in all material respects to the original Senior Notes, except that the new Senior Notes will be registered under the Securities Act of 1933. On July 11, 2011, Griffon commenced the exchange offer, which will remain open until 5:00 p.m. Eastern Standard Time on August 9, 2011, unless extended.

On March 18, 2011, Griffon entered into a five-year \$200,000 Revolving Credit Facility (Credit Agreement), which includes a letter of credit sub-facility with a limit of \$50,000, a multi-currency sub-facility of \$50,000 and a swingline sub-facility with a limit of \$30,000. Borrowings under the Credit Agreement may be repaid and re-borrowed at any time, subject to final maturity of the facility or the occurrence of a default or event of default under the Credit Agreement. Interest is payable on borrowings at either a LIBOR or base rate benchmark rate plus an applicable margin, which will decrease based on financial performance. The margins are 1.75% for base rate loans and 2.75% for LIBOR loans, in each case without a floor. The Credit Agreement has certain financial maintenance tests including a maximum total leverage ratio, a maximum senior secured leverage ratio and a minimum interest coverage ratio as well as customary affirmative and negative covenants and events of default. The Credit Agreement also includes certain restrictions, such as limitations on the incurrence of indebtedness and liens and the making of restricted payments and investments. Borrowings under the Credit Agreement are guaranteed by certain domestic subsidiaries and are secured, on a first priority basis, by substantially all assets of the Company and the guarantors. There was no outstanding balance as of June 30, 2011, and, as of such date the Company was in compliance with the terms and covenants of the Credit Agreement.

At June 30, 2011, there were \$20,477 of standby letters of credit outstanding under the Credit Agreement; \$179,523 was available for borrowing at that date.

In connection with the Senior Notes and Credit Agreement (New Facilities), Griffon paid off and terminated the \$375,000 term loan and \$125,000 asset based lending agreement, both entered into by Clopay Ames on September 30, 2010 in connection with the ATT acquisition, and terminated the Telephonics \$100,000 revolving credit agreement. Additionally, in connection with the New Facilities, Clopay Ames terminated the \$200,000 interest rate swap that fixed LIBOR to 2.085% for the Clopay Ames term loan.

On December 21, 2009, Griffon issued \$100,000 principal of 4% convertible subordinated notes due 2017 (the 2017 Notes). The initial conversion rate of the 2017 Notes was 67.0799 shares of Griffon's common stock per \$1,000 principal amount of notes, corresponding to an initial conversion price of \$14.91 per share, a 23% conversion premium over the \$12.12 closing price on December 15, 2009. Griffon used 8.75% as the nonconvertible debt-borrowing rate to discount the 2017 Notes and will amortize the debt discount through January 2017. At issuance, the debt component of the 2017 Notes was \$75,437 and debt discount was \$24,563. At September 30, 2010 and June 30, 2011, the 2017 Notes had a capital in excess of par component, net of tax, of \$15,720.

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

Griffon has other real estate mortgages, collateralized by real property, that bear interest at rates from 6.3% to 6.6% with maturities extending through 2016.

Griffon's Employee Stock Ownership Plan (ESOP) entered into a loan agreement in August 2010 to borrow \$20,000 over a one-year period, to be used to purchase Griffon common stock in the open market. The loan bears interest at a) LIBOR plus 2.5% or b) the lender's prime rate. After the first year, Griffon has the option to convert all or a portion of the outstanding loan to a five-year term. If converted, principal is payable in quarterly installments of \$250, beginning September 2011, with the remainder due at maturity. The loan is secured by shares purchased with the proceeds of the loan, and repayment is guaranteed by Griffon. At June 30, 2011, 1,398,677 shares have been purchased (some of which were purchased pursuant to a 10b5-1 repurchase plan); the outstanding balance was \$15,673 and \$4,327 was available for borrowing under the agreement. The Company expects to enter into an amendment to this loan agreement shortly that would (i) extend the end date for drawing down the \$20,000 borrowing availability from August 2011 to November 2011, (ii) change the starting date for quarterly amortization payments from September 2011 to December 2011, and extend the maturity date of the loan from August 2016 to November 2016.

In addition, the ESOP has a loan agreement, guaranteed by Griffon, which requires quarterly principal payments of \$156 and interest through the expiration date of September 2012 at which time the \$3,900 balance of the loan, and any outstanding interest, will be payable. The primary purpose of this loan was to purchase 547,605 shares of Griffon's common stock in October 2008. The loan is secured by shares purchased with the proceeds of the loan, and repayment is guaranteed by Griffon. The loan bears interest at rates based upon the prime rate or LIBOR. At June 30, 2011, \$4,532 was outstanding.

In October 2006, CBP entered into a capital lease totaling \$14,290 for real estate in Troy, Ohio. Approximately \$10,000 was used to acquire the building and the remaining amount was restricted for improvements. The lease matures in 2021, bears interest at a fixed rate of 5.1%, is secured by a mortgage on the real estate and is guaranteed by Griffon.

At June 30, 2011 and September 30, 2010, Griffon had \$532 of 4% convertible subordinated notes due 2023 (the 2023 Notes) outstanding. Holders of the 2023 Notes may require Griffon to repurchase all or a portion of their 2023 Notes on July 18, 2013 and 2018, if Griffon's common stock price is below the conversion price of the 2023 Notes, as well as upon a change in control. At June 30, 2011 and September 30, 2010, the 2023 Notes had no capital in excess of par value component as substantially all of these notes were put to Griffon at par and settled in July 2010.

In January 2010, Griffon purchased \$10,100 face value of the 2023 Notes for \$10,200 which, after proportionate reduction in related deferred financing costs, resulted in a net pre-tax gain from debt extinguishment of \$12. Capital in excess of par was reduced by \$300 for the equity portion of the extinguished 2023 Notes, and debt discount was reduced by \$200.

In December 2009, Griffon purchased \$19,200 face value of the 2023 Notes for \$19,400. Including a proportionate reduction in the related deferred financing costs, Griffon recorded an immaterial net pre-tax loss on the extinguishment. Capital in excess of par value was reduced by \$700 related to the equity portion of the extinguished 2023 Notes and the debt discount was reduced by \$500.

In November 2010, Clopay Europe GMBH (Clopay Europe) entered into a 10,000 revolving credit facility and a 20,000 term loan. The facility accrues interest at Euribor plus 2.35% per annum, and the term loan accrues interest at Euribor plus 2.45% per annum. The revolving facility matures in November 2011, but is renewable upon mutual agreement with the bank. The term loan can be drawn until August 2011 and, if drawn, repayment will be in ten equal installments beginning September 2011 with maturity in December 2013. Under the term loan, Clopay Europe is required to maintain a certain minimum equity to assets ratio and keep leverage below a certain level, defined as the ratio of total debt to EBITDA. There were no borrowings under the term loan at June 30, 2011. Borrowings under the revolving facility at June 30, 2011 were 7,500 and 2,500 was available for borrowing. In July 2011, the full 20,000 was drawn on the Term Loan, with a portion of the proceeds used to repay borrowings under the revolving credit facility.

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Clopay do Brazil, a subsidiary of Plastics, maintains lines of credit of approximately \$4,500. Interest on borrowings accrue at a rate of LIBOR plus 3.8% or CDI plus 5.6%. \$2,000 was borrowed under the lines and \$2,500 was available as of as of June 30, 2011.

As part of the acquisition of ATT, Griffon acquired interest rate swaps that had fair values totaling \$3,845 at September 30, 2010. These swaps were terminated in October 2010 for \$4,303, including accrued interest of \$458.

At June 30, 2011, Griffon and its subsidiaries were in compliance with the terms and covenants of its credit agreements and loan agreements.

Griffon's Board of Directors has authorized the repurchase of up to an additional \$50,000 of Griffon's outstanding common stock. Approximately 1,366,000 shares of common stock remain available for repurchase pursuant to an existing buyback program. Under the repurchase programs, the Company may, from time to time, purchase shares of its common stock, depending upon market conditions, in open market or privately negotiated transactions, including pursuant to a 10b5-1 plan.

The consolidation of the CBP manufacturing facilities plan, announced in June 2009, is substantially complete. For the project to date, CBP incurred pre-tax exit and restructuring costs of \$8,857, substantially all of which were cash charges; charges include \$1,175 for one-time termination benefits and other personnel costs, \$4,933 for excess facilities and related costs, and \$2,749 for other exit costs, primarily in connection with production realignment. CBP had \$10,297 in capital expenditures in order to effect the restructuring plan.

Griffon substantially concluded its remaining disposal activities for the Installation Services business, discontinued in 2008, in the second quarter of 2009 and does not expect to incur significant expense in the future. Future net cash outflows to satisfy liabilities related to disposal activities accrued at June 30, 2011 are estimated to be \$4,042. Certain of Griffon's subsidiaries are also contingently liable for approximately \$833 related to certain facility leases with varying terms through 2012 that were assigned to the respective purchasers of certain of the Installation Services businesses. Griffon does not believe it has a material exposure related to these contingencies.

During the nine months ended June 30, 2011 and 2010, Griffon used cash for discontinued operations of \$829 and \$449, respectively, related to settling remaining Installation Services liabilities.

CRITICAL ACCOUNTING POLICIES

The preparation of Griffon's consolidated financial statements in conformity with GAAP requires Griffon to make estimates and judgments that affect reported amounts of assets, liabilities, sales and expenses, and the related disclosures of contingent assets and contingent liabilities at the date of the financial statements. Griffon evaluates these estimates and judgments on an ongoing basis and base the estimates on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities, as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Griffon's actual results may materially differ from these estimates. There have been no changes in Griffon's critical accounting policies from September 30, 2010.

Griffon's significant accounting policies and procedures are explained in the Management Discussion and Analysis section in the Annual Report on Form 10-K for the year ended September 30, 2010. In the selection of the critical accounting policies, the objective is to properly reflect the financial position and results of operations for each reporting period in a consistent manner that can be understood by the reader of the financial statements. Griffon considers an estimate to be critical if it is subjective and if changes in the estimate using different assumptions would result in a material impact on the financial position or results of operations of Griffon.

RECENT ACCOUNTING PRONOUNCEMENTS

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

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements other than statements of historical fact, including, without limitation, statements regarding Griffon's financial position, business strategy and the plans and objectives of Griffon's management for future operations, are forward-looking statements. Without limiting the generality of the foregoing, in some cases you can identify forward-looking statements by terminology such as may, will, should, would, could, anticipate, believe, estimate, expect, negative of these expressions or comparable terminology. Such forward-looking statements involve important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ materially from those expressed in any forward-looking statements. These risks and uncertainties include, among others: general domestic and international business, financial market and economic conditions; the credit market; the housing market; results of integrating acquired businesses into existing operations; the results of Griffon's restructuring and disposal efforts; competitive factors; pricing pressures for resin and steel; capacity and supply constraints; Griffon's ability to identify and successfully consummate and integrate value-adding acquisition opportunities; the ability of Griffon to remain in compliance with the covenants under its respective credit facilities; and the inherent uncertainties relating to resolution of ongoing legal and environmental matters from time to time. Additional important factors that could cause the statements made in this Quarterly Report on Form 10-Q or the actual results of operations or financial condition of Griffon to differ are discussed under the caption "Item 1A. Risk Factors" and "Special Notes Regarding Forward-Looking Statements" in Griffon's Form 10-K Annual Report for the year ended September 30, 2010. Some of the factors are also discussed elsewhere in this Quarterly Report on Form 10-Q and have been or may be discussed from time to time in Griffon's filings with the U.S. Securities and Exchange Commission. Readers are cautioned not to place undue reliance on Griffon's forward-looking statements. Griffon does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect future events or circumstances or to reflect the occurrence of unanticipated events.

Item 3 - Quantitative and Qualitative Disclosure About Market Risk

Interest Rates

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

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

Foreign Exchange

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

Item 4 - Controls and Procedures

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

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

Limitations on the Effectiveness of Controls

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

PART II - OTHER INFORMATION**Item 1 Legal Proceedings**

None

Item 1A Risk Factors

In addition to the other information set forth in this report, carefully consider the factors discussed in Item 1A to Part I in Griffon's Annual Report on Form 10-K for the year ended September 30, 2010, which could materially affect Griffon's business, financial condition or future results. The risks described in Griffon's Annual Report on Form 10-K are not the only risks facing Griffon. Additional risks and uncertainties not currently known to Griffon or that Griffon currently deems to be immaterial also may materially adversely affect Griffon's business, financial condition and/or operating results.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

(c)

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs
April 1 - 30, 2011	175,000 ¹	\$ 13.30		
May 1 - 31, 2011	323,700 ²	10.38	323,700	
June 1 - 30, 2011	399,129 ²	9.97	399,129	
Total	897,829	\$ 10.77	722,829	\$ 4,369,203 ^{3,4}

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1. Represents shares acquired by the Company from a holder of restricted stock upon vesting of the restricted stock, to satisfy tax withholding obligations of the holder.
2. Shares were purchased by the Griffon Corporation Employee Stock Ownership Plan (the ESOP) in open market transactions (including some purchases pursuant to a 10b5-1 repurchase plan), and are solely for use by the ESOP.
3. Represents the amount that remains available, as of June 30, 2011, for borrowing under the loan agreement entered into by the ESOP on August 6, 2010, which amount can be drawn until August 6, 2011. The proceeds of such loan can be used to purchase shares for the ESOP.
4. Griffon's Board of Directors has authorized the repurchase of up to an additional \$50,000,000 of Griffon's outstanding common stock. Approximately 1,366,000 shares of common stock remain available for repurchase pursuant to an existing buyback program. Under the repurchase programs, the Company may, from time to time, purchase shares of its common stock, depending upon market conditions, in open market or privately negotiated transactions, including pursuant to a 10b5-1 plan.

Item 3 **Defaults upon Senior Securities**
None

Item 4 **[Removed and Reserved]**

Item 5 **Other Information**
None

Item 6 **Exhibits**

- 31.1 Certification pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certifications pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document*
- 101.SCH XBRL Taxonomy Extension Schema Document*
- 101.CAL XBRL Taxonomy Extension Calculation Document*
- 101.DEF XBRL Taxonomy Extension Definitions Document*
- 101.LAB XBRL Taxonomy Extension Labels Document*
- 101.PRE XBRL Taxonomy Extension Presentation Document*

* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be furnished and not filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GRIFFON CORPORATION

/s/ Douglas J. Wetmore

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

/s/ Brian G. Harris

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

Date: August 3, 2011

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EXHIBIT INDEX

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