GRIFFON CORP
Form 10-Q
August 02, 2010
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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, 2010

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	**11-1893410**

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

(212) 957-5000

(Registrant s telephone number, including area code)

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

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 x No o

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 o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date. 61,667,864 shares of Common Stock as of July 30, 2010.

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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, 2010	At September 30, 2009
CURRENT ASSETS		
Cash and equivalents	$ 351,633	$ 320,833
Accounts receivable, net of allowances of $4,654 and $4,457	176,928	164,619
Contract costs and recognized income not yet billed, net of progress payments of $6,104 and $14,592	62,719	75,536
Inventories, net	147,278	139,170
Prepaid and other current assets	36,328	39,261
Assets of discontinued operations	1,568	1,576
Total Current Assets	776,454	740,995
PROPERTY, PLANT AND EQUIPMENT, net	226,941	236,019
GOODWILL	89,983	97,657
INTANGIBLE ASSETS, net	28,033	34,211
OTHER ASSETS	20,039	29,132
ASSETS OF DISCONTINUED OPERATIONS	5,132	5,877
Total Assets	$ 1,146,582	$ 1,143,891
CURRENT LIABILITIES		
Notes payable and current portion of long-term debt net of debt discount of $83 and $2,820	$ 51,892	$ 78,590
Accounts payable	134,923	125,027
Accrued and other current liabilities	65,009	61,120
Liabilities of discontinued operations	4,568	4,932
Total Current Liabilities	256,392	269,669
LONG-TERM DEBT, net of debt discount of $23,197 and $0	123,874	98,394
OTHER LIABILITIES	70,906	78,837
LIABILITIES OF DISCONTINUED OPERATIONS	7,807	8,784
Total Liabilities	458,979	455,684
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY		
Total Shareholders Equity	687,603	688,207
Total Liabilities and Shareholders Equity	$ 1,146,582	$ 1,143,891

GRIFFON CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

(Unaudited)

	COMMON STOCK		CAPITAL IN EXCESS OF	RETAINED	TREASURY SHARES		ACCUMULATED OTHER COMPREHENSIVE	DEFERRED ESOP	
(in thousands)	**SHARES**	**PAR VALUE**	**PAR VALUE**	**EARNINGS**	**SHARES**	**COST**	**INCOME (LOSS)**	**COMPENSATION**	**Total**
Balance at 9/30/2009	72,040	$ 18,010	$ 438,843	$ 421,992	12,466	$ (213,560)	$ 28,170	$ (5,248)	$ 688,207
Net income				11,292					11,292
Common stock issued for options exercised	47	12	287						299
Tax benefit from the exercise of stock options			86						86
Amortization of deferred compensation								473	473
Restricted stock vesting	9	2	(2)						
ESOP distribution of common stock			164						164
Stock-based compensation			4,434					13	4,447
Translation of foreign financial statements							(32,223)		(32,223)
Issuance of convertible debt, net			13,694						13,694
Pension OCI amortization, net of tax							1,164		1,164
Balance at 6/30/2010	72,096	$ 18,024	$ 457,506	$ 433,284	12,466	$ (213,560)	$ (2,889)	$ (4,762)	$ 687,603

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

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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,	
	2010	2009	2010	2009
Revenue	$ 327,026	$ 287,385	$ 946,160	$ 865,806
Cost of goods and services	252,671	221,099	732,454	686,588
Gross profit	74,355	66,286	213,706	179,218
Selling, general and administrative expenses	61,650	58,376	187,666	170,449
Restructuring and other related charges	1,489	38	3,720	38
Total operating expenses	63,139	58,414	191,386	170,487
Income from operations	11,216	7,872	22,320	8,731
Other income (expense)				
Interest expense	(3,760)	(2,971)	(10,459)	(10,534)
Interest income	81	343	335	1,010
Gain (loss) from debt extinguishment, net		184	(6)	4,488
Other, net	(583)	1,174	633	617
Total other income (expense)	(4,262)	(1,270)	(9,497)	(4,419)
Income before taxes and discontinued operations	6,954	6,602	12,823	4,312
Income tax provision (benefit)	1,965	513	1,620	(1,767)
Income from continuing operations	4,989	6,089	11,203	6,079
Discontinued operations:				
Income (loss) from operations of the discontinued Installation Services business	(26)	4	143	1,055
Income tax provision (benefit)	(5)	(45)	54	354
Income (loss) from discontinued operations	(21)	49	89	701
Net income	$ 4,968	$ 6,138	$ 11,292	$ 6,780
Basic earnings per common share:				
Income from continuing operations	$ 0.08	$ 0.10	$ 0.19	$ 0.10
Income from discontinued operations	0.00	0.00	0.00	0.01
Net income	0.08	0.10	0.19	0.12
Weighted-average shares outstanding	59,018	58,700	58,944	58,673
Diluted earnings per common share:				
Income from continuing operations	$ 0.08	$ 0.10	$ 0.19	$ 0.10
Income from discontinued operations	0.00	0.00	0.00	0.01
Net income	0.08	0.10	0.19	0.12
Weighted-average shares outstanding	60,154	59,097	59,897	58,862

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.

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

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GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Nine Months Ended June 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 11,292	$ 6,780
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations	(89)	(701)
Depreciation and amortization	29,357	31,404
Long-term debt discount	3,402	3,286
Stock-based compensation	4,447	3,042
Provisions for losses on account receivable	1,619	646
Amortization/write-off of deferred financing costs	915	499
Loss (gain) from debt extinguishment, net	6	(4,488)
Deferred income taxes	(4,768)	(2,584)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable and contract costs and recognized income not yet billed	(5,747)	14,785
(Increase) decrease in inventories	(11,611)	16,412
Decrease in prepaid and other assets	1,161	14,647
Increase (decrease) in accounts payable, accrued liabilities and income taxes payable	17,639	(42,299)
Other changes, net	571	511
Net cash provided by operating activities	48,194	41,940
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(26,581)	(20,563)
Increase in equipment lease deposits	(1,040)	(330)
Net cash used in investing activities	(27,621)	(20,893)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares from rights offering		7,257
Proceeds from issuance of long-term debt	100,000	10,879
Payments of long-term debt	(81,050)	(55,805)
Increase in short-term borrowings		(796)
Financing costs	(4,145)	(559)
Purchase of ESOP shares		(4,370)
Exercise of stock options	299	
Tax benefit from exercise of options/vesting of restricted stock	99	
Other, net	192	465
Net cash provided by (used in) financing activities	15,395	(42,929)
CASH FLOWS FROM DISCONTINUED OPERATIONS:		
Net cash used in operating activities of discontinued operations	(449)	(1,111)
Net cash used in discontinued operations	(449)	(1,111)

Effect of exchange rate changes on cash and equivalents		(4,719)		635
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS		30,800		(22,358)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD		320,833		311,921
CASH AND EQUIVALENTS AT END OF PERIOD	$	351,633	$	289,563

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

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GRIFFON CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

(Unaudited)

(Unless otherwise indicated, all references to years or year-end refer to the 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. The Company oversees the operations of its subsidiaries, allocates resources among them and manages their capital structures. The Company provides direction and assistance to its subsidiaries in connection with acquisition and growth opportunities as well as in connection with divestitures. Griffon also seeks out, evaluates and, when appropriate, will acquire additional businesses that offer potentially attractive returns on capital to further diversify itself.

Griffon currently conducts its operations through Telephonics Corporation (Telephonics), Clopay Building Products Company (Building Products) and Clopay Plastic Products Company (Plastics).

- Telephonics high-technology engineering and manufacturing capabilities provide integrated information, communication and sensor system solutions to military and commercial markets worldwide.

- 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.

- 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 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 of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. As such, they should be read with reference to the Company s Annual Report on Form 10-K for the year ended September 30, 2009, which provides a more complete explanation of the Company s accounting policies, financial position, operating results, business properties and other matters, and with the Company s Current Report on Form 8-K filed on February 4, 2010, updating the Form 10-K for the retroactive application of new accounting guidance for convertible debt (see below). In the opinion of management, these financial statements reflect all adjustments considered necessary for a fair statement of interim results. The results of operations of any interim period are not necessarily indicative of the results for the full year.

The unaudited condensed consolidated balance sheet information at September 30, 2009 was derived from the audited financial statements included in the Company s Current Report on Form 8-K filed on February 4, 2010, updating the Company s Annual Report on Form 10-K for the year ended September 30, 2009.

In preparing its consolidated financial statements, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Company evaluates estimates, including those related to bad debts, inventory reserves, goodwill and intangible assets. The Company bases its estimates on historical data and experience, when available, and on

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various other assumptions that the Company believes are reasonable, the combined results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

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

In May 2008, the Financial Accounting Standards Board (FASB) issued new guidance to clarify that the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) must be separately accounted for in a manner that will reflect the entity s nonconvertible debt borrowing rate when interest cost is recognized. This guidance, which is applicable to the Company s 4% convertible subordinated notes due 2023 issued in 2003 (the 2023 Notes) and 4% convertible subordinated notes due 2017 issued in December 2009 (the 2017 Notes), became effective for the Company as of October 1, 2009 and is implemented retrospectively, as required, for the 2023 Notes. For more information, see the Long-Term Debt footnote.

At June 30, 2010, the 2023 Notes had an outstanding balance of $49,998, an unamortized discount of $83, a net carrying value of $49,915 and a capital in excess of par value component balance, net of tax, of $17,061. At September 30, 2009, the 2023 Notes had an outstanding balance of $79,380, an unamortized discount balance of $2,820, a net carrying value of $76,560 and a capital in excess of par value component balance, net of tax, of $18,094. The stock price was below the conversion price for all periods presented. The Company used 8.5% as the nonconvertible debt borrowing rate to discount the 2023 Notes and will amortize the debt discount through July 2010. For more information, see the Long-Term Debt footnote.

For the 2023 Notes, the effective interest rate and interest expense was as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
(dollar amounts in thousands)	**2010**	**2009**	**2010**	**2009**
Effective interest rate	8.8%	9.2%	9.0%	9.0%
Interest expense related to the coupon	$ 500	$ 844	$ 1,828	$ 2,853
Amortization of the discount	539	836	1,925	2,767
Amortization of deferred issuance costs	59	83	197	281
Total interest expense on the 2023 Notes	$ 1,098	$ 1,763	$ 3,950	$ 5,901

The cumulative effect of the adjustments prior to September 30, 2009 was recognized in the September 30, 2009 balance sheet as follows:

Balance Sheet		**As of September 30, 2009**	
(in thousands)	**As Reported**	**Change**	**As Adjusted**
Other Assets	$ 30,648	$ (1,516)	$ 29,132
All other assets	1,114,759		1,114,759
Total Assets	$ 1,145,407	$ (1,516)	$ 1,143,891
Notes payable & current portion of LT debt	$ 81,410	$ (2,820)	$ 78,590
All other liabilities	377,094		377,094

Total liabilities		458,504		(2,820)		455,684
Capital in excess of par value		420,749		18,094		438,843
Retained earnings		438,782		(16,790)		421,992
All other shareholders equity		(172,628)				(172,628)
Total Shareholders Equity		686,903		1,304		688,207
Total Liabilities and shareholders equity	$	1,145,407	$	(1,516)	$	1,143,891

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The prior year three and nine month periods have been adjusted as follows:

Statement of Operations (in thousands, except per share data)	Three Months Ending June 30, 2009 As Reported	Change	As Adjusted	Nine Months Ending June 30, 2009 As Reported	Change	As Adjusted
Income from operations	$ 7,872	$	$ 7,872	$ 8,731	$	$ 8,731
Other income (expense)						
Interest expense	(2,157)	(814)	(2,971)	(7,790)	(2,744)	(10,534)
Interest income	343		343	1,010		1,010
Gain from debt extinguishment, net	646	(462)	184	7,360	(2,872)	4,488
Other, net	1,174		1,174	617		617
Total other income (expense)	6	(1,276)	(1,270)	1,197	(5,616)	(4,419)
Income before taxes and discontinued operations	7,878	(1,276)	6,602	9,928	(5,616)	4,312
Provision (benefit) for income taxes	986	(473)	513	268	(2,035)	(1,767)
Income from continuing operations	6,892	(803)	6,089	9,660	(3,581)	6,079
Income from discontinued operations	49		49	701		701
Net income	$ 6,941	$ (803)	$ 6,138	$ 10,361	$ (3,581)	$ 6,780
Basic earnings per share						
Income from continuing operations	$ 0.12		$ 0.10	$ 0.17		$ 0.10
Discontinued operations	0.00		0.00	0.01		0.01
Net income	$ 0.12		$ 0.10	$ 0.18		$ 0.12
Diluted earnings per share						
Income from continuing operations	$ 0.12		$ 0.10	$ 0.17		$ 0.10
Discontinued operations	0.00		0.00	0.01		0.01
Net income	$ 0.12		$ 0.10	$ 0.18		$ 0.12

On December 21, 2009, the Company issued $100,000 aggregate principal amount of the 2017 Notes. The Company used 8.75% as the nonconvertible debt-borrowing rate to discount the 2017 Notes and will amortize the debt discount through January 2017. On the date of issuance, the debt component of the 2017 Notes was $75,437 and the debt discount was $24,563. At June 30, 2010, the 2017 Notes had an outstanding balance of $100,000, an unamortized discount balance of $23,197, a net carrying value of $76,803 and a capital in excess of par component balance, net of tax, of $15,720.

For the 2017 Notes, the effective interest rate and interest expense was as follows:

(dollar amounts in thousands)	Three Months Ended June 30, 2010	Nine Months Ended June 30, 2010
Effective interest rate	9.2%	9.2%
Interest expense related to the coupon	$ 1,000	$ 2,100
Amortization of the discount	650	1,366
Amortization of deferred issuance costs	108	215
Total interest expense on the 2017 Notes	$ 1,758	$ 3,681

NOTE 2 FAIR VALUE MEASUREMENTS

Items Measured at Fair Value on a Recurring Basis

Each quarter, cash and equivalents and the deferred non-qualified retirement plan assets are measured and recorded at fair value based upon quoted prices in active markets for identical assets and liabilities. Life insurance contracts

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were $4,612 at June 30, 2010 and $4,803 at September 30, 2009. Additionally, accounts receivable and accounts payable approximate fair value due to their short-term nature. Refer to the Long-Term Debt footnote for discussion on the fair value of long-term debt.

NOTE 3 INVENTORIES

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

(in thousands)		At June 30, 2010		At September 30, 2009
Raw materials and supplies	$	37,141	$	38,943
Work in process		61,790		66,741
Finished goods		48,347		33,486
Total	$	147,278	$	139,170

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment were comprised of the following:

(in thousands)		At June 30, 2010		At September 30, 2009
Land, building and building improvements	$	103,873	$	110,617
Machinery and equipment		421,503		423,742
Leasehold improvements		29,956		23,390
		555,332		557,749
Accumulated depreciation and amortization		(328,391)		(321,730)
Total	$	226,941	$	236,019

No event or indicator of impairment occurred during the three and nine months ended June 30, 2010, which would require additional impairment testing of property, plant and equipment.

NOTE 5 GOODWILL AND OTHER INTANGIBLES

The following table provides the changes in carrying value of goodwill by segment during the nine months ended June 30, 2010.

(in thousands)	At September 30, 2009	Other adjustments including currency translations	At June 30, 2010
Telephonics	$ 18,545	$	$ 18,545
Building Products			
Plastics	79,112	(7,674)	71,438
Total	$ 97,657	$ (7,674)	$ 89,983

No event or indicator of impairment occurred during the three and nine months ended June 30, 2010, which would require impairment testing of goodwill.

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

	At June 30, 2010			At September 30, 2009	
(dollar amounts in thousands)	Gross Carrying Amount	Accumulated Amortization	Average Life (Years)	Gross Carrying Amount	Accumulated Amortization
Customer relationships	$ 25,721	$ 5,604	25	$ 30,650	$ 5,628
Unpatented technology	8,271	945	12	2,990	349
Total amortizable intangible assets	33,992	6,549	22	33,640	5,977
Trademark	590			590	
Unpatented technology				5,958	
Total intangible assets	$ 34,582	$ 6,549		$ 40,188	$ 5,977

An unpatented intangible asset with a gross carrying amount of $5,958 at October 1, 2009 was reclassified from indefinite lived to amortizable, as information became available that allowed a useful life to be determined; the intangible asset is being amortized over 10 years, its estimated useful life, with effect from October 1, 2009.

No event or indicator of impairment occurred during the three and nine months ended June 30, 2010, which would require additional impairment testing of long-lived intangible assets excluding goodwill.

NOTE 6 INCOME TAXES

The Company s effective tax rate for continuing operations for the quarter ended June 30, 2010 was a provision of 28.3%, compared to 7.8% in the prior year. The 2009 quarter effective tax rate reflected the benefit from the reversal of $1,440 of previously established reserves related to uncertain tax positions due to the lapse of applicable statutes of limitation and certain tax planning initiatives, primarily with respect to foreign tax credits.

The Company s effective tax rate for continuing operations for the nine months ended June 30, 2010 was a provision of 12.6%, compared to a benefit of 41% in the prior year. The 2010 period reflected the benefit from the resolution of foreign income tax audits resulting in the release of $1,541 of tax and accrued interest from previously established reserves for uncertain tax positions, and the adjustment of tax liabilities on filing of applicable tax returns. The prior year benefited from tax planning, primarily with respect to foreign tax credits and reversal of $1,440 of previously established reserves related to uncertain tax positions due to the lapse of applicable statutes of limitation.

Excluding the above discrete period items, the effective tax rate on continuing operations for the quarter and nine months ended June 30, 2010 would have been a provision of 28.7% and 27.3%, respectively. The effective tax rate for the 2009 quarter and nine month period ended June 30, 2009, excluding the discrete period items, would have been a provision of 30.6% and 28.2%, respectively.

NOTE 7 LONG-TERM DEBT

In June 2008, Building Products and Plastics entered into a credit agreement for their domestic operations 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, senior secured revolving credit facility of $100,000 (the CCA). Borrowings under the CCA bear interest (3.0% average during the nine months ended June 30, 2010) at rates based upon LIBOR or the prime rate and are collateralized by the U.S. stock and assets of Building Products and Plastics. At June 30, 2010 and September 30, 2009, $21,064 and $35,925, respectively, were outstanding under the CCA; approximately $49,790 was available for borrowing at June 30, 2010. The Company has complied with all financial covenants under the CCA since its inception. The balance of the debt approximates its fair value as the interest rates are indexed to current market rates.

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). Borrowings under the TCA bear interest (1.8% average during the nine months ended June 30, 2010) at rates based upon LIBOR or the prime rate and are collateralized by the stock and assets of Telephonics. At June 30, 2010 and September 30, 2009, $3,000 and $38,000, respectively, were outstanding under the TCA; approximately $91,600 was available for borrowing at June 30, 2010. The Company has complied with all financial covenants under the TCA since its inception. The balance of the debt approximates its fair value as the interest rates are indexed to current market rates.

The TCA and the CCA include various sublimits for standby letters of credit. At June 30, 2010, approximately $15,600 of aggregate standby letters of credit were outstanding under these credit facilities. Additionally, these agreements limit dividends and advances these subsidiaries may pay to the parent.

On December 21, 2009, the Company issued $100,000 of 2017 Notes. Holders may convert the 2017 Notes at a conversion price of $14.91 per share, which is equal to a conversion rate of 67.0799 shares per $1 principal amount of 2017 Notes. In lieu of delivering shares of its common stock, the Company may settle any conversion of the 2017 Notes through the delivery of cash or a combination of cash and shares of common stock. On June 30, 2010, the Company had outstanding $100,000 of the 2017 Notes, which had a fair value of approximately $100,000, based upon quoted market prices (level 1 inputs).

The Company had outstanding $49,998 of 2023 Notes at June 30, 2010. Holders may convert the 2023 Notes at a conversion price of $22.41 per share, as adjusted pursuant to the Company s 2008 common stock rights offering and subject to possible further adjustment, as defined therein, which is equal to a conversion rate of approximately 44.6229 shares per $1 principal amount of 2023 Notes. The Company has irrevocably elected to pay noteholders at least $1 in cash for each $1 principal amount of 2023 Notes presented for conversion. The excess of the value of the Company s common stock that would have been issuable upon conversion over the cash delivered will be paid to noteholders in shares of the Company s common stock. At June 30, 2010, the fair value was approximately $50,000, based upon quoted market price (level 1 inputs). The 2023 notes have been classified as Notes payable and current portion of long-term debt in the September 30, 2009 and June 30, 2010 balance sheets as it has been expected that the 2023 notes would be put to the Company as the stock price was below the conversion price. In July 2010, substantially all of the 2023 Notes were put to the Company at par and settled.

In January 2010, the Company purchased $10,145 face value of the 2023 Notes for $10,246. The Company recorded a pre-tax gain from debt extinguishment of $32, offset by $20 for a proportionate reduction in the related deferred financing costs for a net pre-tax gain of $12 in the second quarter of 2010. Capital in excess of par was reduced by $332 related to the equity portion of the extinguished 2023 Notes and the debt discount was reduced by $219.

In December 2009, the Company purchased $19,237 face value of the 2023 Notes for $19,429. The Company recorded a $26 pre-tax gain from debt extinguishment, offset by $44 for a proportionate reduction in the related deferred financing costs for a net pre-tax loss of $18 in the first quarter of 2010. 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 $482.

In April 2009, the Company purchased $15,120 face value of the 2023 Notes for $14,341. The Company recorded a pre-tax gain from debt extinguishment of $252, offset by $75 for a proportionate reduction in the related deferred financing costs for a net pre-tax gain of $177 in the third quarter of 2009. Capital in excess of par value was reduced by $263 related to the equity portion of the extinguished 2023 Notes and the debt discount was reduced by $789.

In October 2008, the Company purchased $35,500 face value of the 2023 Notes for $28,400. The Company recorded a pre-tax gain from debt extinguishment of $4,549, offset by $245 for a proportionate reduction in the related deferred financing costs for a net pre-tax gain of $4,304 in the first quarter of 2009. No portion of the extinguishment was attributed to capital in excess in par and the debt discount was reduced by $2,544.

The Company had $79,380 and $130,000 of 2023 Notes outstanding at September 30, 2009 and 2008, respectively.

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The Company s Employee Stock Ownership Plan has a loan agreement, guaranteed by the Company, which requires payment of principal and interest through the expiration date of September 2012 at which time the balance of the loan, and any outstanding interest, will be payable. The primary purpose of this loan and its predecessor loans, which were refinanced by this loan in October 2008, was to purchase 547,605 shares of the Company s common stock in October 2008. The loan bears interest at rates based upon the prime rate or LIBOR. The balance of the loan was $5,156 at June 30, 2010, and the outstanding balance approximates fair value as the interest rates are indexed to current market rates.

NOTE 8 SHAREHOLDERS EQUITY

During 2009, the Company granted 1,196,500 shares of restricted stock to employees, with 30 month to four year cliff vesting and a total fair value of $10,019, or a weighted average fair value of $8.37 per share. In addition, on October 1, 2008, the Company s Chief Executive Officer received a ten-year option to purchase 350,000 shares of common stock at an exercise price of $20 per share. The closing stock price on the date of grant was $9.00 per share and the grant vests in three equal annual installments beginning April 2009. The fair value of this option on the date of grant was $721 or $2.06 per share.

During the nine months ended June 30, 2010, the Company granted 464,700 shares of restricted stock to employees, with two to four-year cliff vesting, and a total fair value of $5,164, or a weighted average fair value of $11.11 per share.

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

For the three months ended June 30, 2010 and 2009, stock based compensation expense totaled $1,512 and $1,201, respectively; for the nine months ended June 30, 2010 and 2009, such expense totaled $4,447 and $3,042, respectively.

NOTE 9 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 potentially dilutive shares. The 2023 Notes and the 2017 Notes were anti-dilutive due to the conversion price being greater than the weighted-average stock price during the periods presented.

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

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	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
Weighted average shares outstanding - basic	59,018	58,700	58,944	58,673
Incremental shares from convertible notes				
Incremental shares from stock based compensation	1,136	397	953	189
Weighted average shares outstanding - diluted	60,154	59,097	59,897	58,862
Anti-dilutive options excluded from diluted EPS computation	865	1,305	1,037	1,305

NOTE 10 BUSINESS SEGMENTS

The Company s reportable business segments are as follows:

- Telephonics high-technology engineering and manufacturing capabilities provide integrated information, communication and sensor system solutions to military and commercial markets worldwide.

- 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.

- 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 Company evaluates performance and allocates resources based on operating results before interest income or expense, income taxes and certain nonrecurring items of income or expense.

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Business segment information is as follows:

GRIFFON CORPORATION

REVENUE, INCOME & OTHER DATA BY SEGMENT

(in thousands)	For the Three Months Ended June 30, 2010	2009	For the Nine Months Ended June 30, 2010	2009
REVENUE				
Telephonics	$ 100,413	$ 94,126	$ 320,222	$ 271,520
Building Products	104,325	98,497	286,051	286,566
Plastics	122,288	94,762	339,887	307,720
Total consolidated net sales	$ 327,026	$ 287,385	$ 946,160	$ 865,806
INCOME BEFORE TAXES AND DISCONTINUED OPERATIONS				
Segment operating profit (loss):				
Telephonics	$ 9,783	$ 9,908	$ 27,400	$ 23,538
Building Products	2,406	639	5,553	(15,595)
Plastics	6,691	4,780	12,138	16,894
Total segment operating profit	18,880	15,327	45,091	24,837
Unallocated amounts*	(8,247)	(6,281)	(22,138)	(15,489)
Gain (loss) from debt extinguishment, net		184	(6)	4,488
Net interest expense	(3,679)	(2,628)	(10,124)	(9,524)
Income before taxes and discontinued operations	$ 6,954	$ 6,602	$ 12,823	$ 4,312

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

	2010	2009	2010	2009
DEPRECIATION AND AMORTIZATION				
Segment:				
Telephonics	$ 1,985	$ 1,620	$ 5,398	$ 4,650
Building Products	2,046	3,546	7,229	10,032
Plastics	5,027	5,239	16,473	16,248
Total segment	9,058	10,405	29,100	30,930
Corporate	91	88	257	474
Total consolidated depreciation and amortization	$ 9,149	$ 10,493	$ 29,357	$ 31,404
CAPITAL EXPENDITURES				
Segment:				
Telephonics	$ 4,021	$ 2,507	$ 10,388	$ 5,344
Building Products	2,428	1,145	8,886	4,839
Plastics	2,325	4,819	6,624	10,347
Total segment	8,774	8,471	25,898	20,530
Corporate	118	4	683	33
Total consolidated capital expenditures	$ 8,892	$ 8,475	$ 26,581	$ 20,563

	At June 30, 2010	At September 30, 2009
ASSETS		
Segment assets:		
Telephonics	$ 254,832	$ 271,809
Building Products	171,471	169,251
Plastics	360,128	364,626
Total segment assets	786,431	805,686
Corporate (principally cash and equivalents)	353,451	330,752
Total continuing assets	1,139,882	1,136,438
Assets from discontinued operations	6,700	7,453
Consolidated total	$ 1,146,582	$ 1,143,891

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NOTE 11 COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) was as follows:

(in thousands)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Nine Months Ended June 30, 2010	Nine Months Ended June 30, 2009
Net income	$ 4,968	$ 6,138	$ 11,292	$ 6,780
Foreign currency translation adjustment	(17,787)	18,486	(32,223)	(2,251)
Pension OCI amortization, net of tax	388	204	1,164	613
Comprehensive income (loss)	$ (12,431)	$ 24,828	$ (19,767)	$ 5,142

NOTE 12 DEFINED BENEFIT PENSION EXPENSE

Defined benefit pension expense was recognized as follows:

(in thousands)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Nine Months Ended June 30, 2010	Nine Months Ended June 30, 2009
Service cost	$ 139	$ 112	$ 417	$ 335
Interest cost	907	1,056	2,721	3,168
Expected return on plan assets	(343)	(431)	(1,029)	(1,292)
Amortization:				
Prior service cost	84	84	252	252
Recognized actuarial loss	512	230	1,536	691
Net periodic expense	$ 1,299	$ 1,051	$ 3,897	$ 3,154

NOTE 13 RECENT ACCOUNTING PRONOUNCEMENTS

Newly issued but not yet effective accounting pronouncements

In October 2009, the FASB issued new guidance on accounting for multiple-deliverable arrangements to enable vendors to account for products and services separately rather than as a combined unit. The guidance addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. The new guidance will be effective as of the beginning of the annual reporting period commencing after June 15, 2010, and will be adopted by the Company as of October 1, 2010. Early adoption is permitted. The Company is evaluating the potential impact, if any, of the adoption of the new guidance on its consolidated financial statements.

Recently issued effective accounting pronouncements

In December 2007, the FASB issued new accounting guidance related to the accounting for business combinations. The purpose of the new guidance is to better represent the economic value of a business combination transaction. The new guidance retains the fundamental requirement of existing guidance where the acquisition method of accounting is to be used for all business combinations and for an acquirer to be identified for each business combination. In general the new guidance: 1) broadens the existing guidance by extending its applicability to all events where one entity obtains control over one or more businesses; 2) broadens the use of the fair value measurements used to recognize the assets acquired and liabilities assumed; 3) changes the accounting for acquisition related fees and restructuring costs incurred in connection with an acquisition; and 4) increases required disclosures. The Company anticipates that adoption of the new guidance, effective for Griffon for any business combinations that occur after October 1, 2009, will have an impact on the way in which business combinations are accounted for; however, the impact can only be assessed as each acquisition is consummated.

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In December 2007, the FASB issued new accounting guidance related to the accounting for noncontrolling interests in consolidated financial statements. The new guidance was issued to improve the relevance, comparability, and transparency of financial information provided to investors by requiring all entities to report noncontrolling (minority) interests in subsidiaries in the same way, that is, as equity in the consolidated financial statements. Moreover, the new guidance eliminates the diversity then existing in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions. This new guidance was effective for the Company as of October 1, 2009 and the adoption had no material effect on the Company s consolidated financial statements.

In March 2008, the FASB issued new guidance, which enhances required disclosures regarding derivatives and hedging activities, including enhanced disclosures regarding how: 1) an entity uses derivative instruments; 2) derivative instruments and related hedged items are accounted for; and 3) derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. This new guidance was effective for the Company as of October 1, 2009 and the adoption had no material effect on the Company s consolidated financial statements.

In April 2008, the FASB issued new guidance, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset, and requires enhanced related disclosures. The new guidance must be applied prospectively to all intangible assets acquired as of and subsequent to years beginning after December 15, 2008, which for the Company was the fiscal year beginning October 1, 2009. The Company anticipates that adoption of the new guidance will impact the way in which newly acquired intangible assets are accounted for; however, such impact can only be assessed upon the acquisition of intangible assets.

NOTE 14 DISCONTINUED OPERATIONS

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

	At June 30, 2010		At September 30, 2009	
(in thousands)	**Current**	**Long-term**	**Current**	**Long-term**
Assets of discontinued operations:				
Prepaid and other current assets	$ 1,568	$	$ 1,576	$
Other long-term assets		5,132		5,877
Total assets of discontinued operations	$ 1,568	$ 5,132	$ 1,576	$ 5,877
Liabilities of discontinued operations:				
Accounts payable	$ 10	$	$ 13	$
Accrued liabilities	4,558		4,919	
Other long-term liabilities		7,807		8,784
Total liabilities of discontinued operations	$ 4,568	$ 7,807	$ 4,932	$ 8,784

There was no Installation Services operating unit revenue for the three and nine months ended June 30, 2010 and 2009.

NOTE 15 RESTRUCTURING AND OTHER RELATED CHARGES

In June 2009, the Company announced plans to consolidate facilities in its Building Products segment, scheduled to be completed in early calendar 2011. The Company estimates it will incur pre-tax exit and restructuring costs approximating $11,000, substantially all of which will be cash charges, including $2,000 for one-time termination benefits and other personnel costs, $1,000 for excess facilities and related costs, and $8,000 in other exit costs primarily in connection with production realignment. These charges will occur primarily in 2010 and 2011. To date the Company has incurred approximately $5,000 in related charges.

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A summary of the restructuring and other related charges, included in the line item Restructuring and other related charges in the Condensed Consolidated Statements of Operations recognized for the nine months ended June 30, 2010, the year ended September 30, 2009 and for each quarter therein, follows:

(in thousands)	Workforce Reduction	Facilities & Exit Costs	Other related Costs	Total
Amounts incurred in:				
Quarter ended December 31, 2008	$	$	$	$
Quarter ended March 31, 2009				
Quarter ended June 30, 2009	37		1	38
Quarter ended September 30, 2009	170	672	360	1,202
Year ended September 30, 2009	$ 207	$ 672	$ 361	$ 1,240
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

At June 30, 2010, the accrued liability associated with the restructuring and other related charges consisted of the following:

(in thousands)	Workforce Reduction	Facilities & Exit Costs	Other related Costs	Total
Accrued liability at September 30, 2009	$ 207	$	$	$ 207
Charges	497	2,288	935	3,720
Payments	(214)	(2,288)	(935)	(3,437)
Accrued liability at June 30, 2010	$ 490	$	$	$ 490

NOTE 16 OTHER INCOME

Other income included a loss of $610 and a gain of $353 for the quarters and losses of $776 and $521 for the nine months ended June 30, 2010 and 2009, respectively, of foreign exchange gains/losses in connection with the translation of receivables and payables denominated in currencies other than the functional currencies of the Company and its subsidiaries.

NOTE 17 WARRANTY LIABILITY

The Company offers its customers warranties against product defects for periods ranging from six months to three years, with certain products having a limited lifetime warranty, depending on the specific product and terms of the customer purchase agreement. The Company s typical warranties require it to repair or replace the defective products during the warranty period at no cost to the customer. At the time product revenue is recognized the Company records an estimated liability for warranty costs based on historical experience. The Company periodically assesses the adequacy of its warranty liability, and adjusts the liability as necessary. While the Company believes that its liability for product

warranties is adequate, actual warranty costs could differ materially from those estimated.

Changes in the warranty liability included in accrued liabilities were as follows:

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(in thousands)	Three Months Ended June 30, 2010	2009	Nine Months Ended June 30, 2010	2009
Balance, beginning of year	$ 4,760	$ 5,523	$ 5,707	$ 5,328
Warranties issued and changes in estimated pre-existing warranties	1,235	1,488	2,554	4,847
Actual warranty costs incurred	(1,153)	(1,268)	(3,419)	(4,432)
Balance, end of period	$ 4,842	$ 5,743	$ 4,842	$ 5,743

NOTE 18 COMMITMENTS AND CONTINGENCIES

Legal and environmental

Department of Environmental Conservation of New York State (DEC), with ISC Properties, Inc. Lightron Corporation (Lightron), a wholly-owned subsidiary of the Company, 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 the Company. ISC sold the Peekskill Site in November 1982.

Subsequently, the Company 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 to conduct, and conducted 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. Thereafter, in a process that is still ongoing, ISC has submitted additional revised drafts of the Feasibility Study in response to comments received from the DEC.

U.S. Government investigations and claims

Defense contracts and subcontracts, including the Company 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, the Defense Contract Investigative Service 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, the Company is currently providing information to the U.S. Department of Defense Office of the Inspector General. No claim has been asserted against the Company, and the Company 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 Telephonics, 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 a material adverse effect on Telephonics because of its reliance on government contracts.

General legal

The Company 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

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known to it, that the resolution of the matters above and such other matters will not have a material adverse effect on the Company s consolidated financial position, results of operations or cash flows.

NOTE 19 SUBSEQUENT EVENTS

In July 2010, Clopay Acquisition Corp. (Clopay Acquisition), an indirect whole-owned subsidiary of Clopay Corporation, which itself is a wholly-owned subsidiary of the Company, entered into a definitive agreement to acquire Ames True Temper, Inc. (ATT) for total consideration of $542 million, subject to certain adjustments. ATT is the leading North American manufacturer and marketer of non-powered lawn and garden tool, wheelbarrows, and other outdoor work products to the retail and professional markets. The transaction, subject to certain regulatory approvals, is expected to close before September 30, 2010.

In July 2010, Clopay Corporation and Clopay Acquisition also entered into debt commitment letters with respect to a new $500 million term loan facility (the Term Loan Facility) and a $150 million senior secured asset-backed revolving credit facility (the ABL Facility), the proceeds of which will be used in part to fund the acquisition of ATT, pay fees and expenses related to the acquisition and the financing, and repay the CCA. The assets of ATT, Plastics and Building Products will collateralize the Term and the ABL facilities; neither the Company nor Telephonics will guarantee these facilities. The ABL Facility is expected to be undrawn at closing of the ATT acquisition.

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

BUSINESS OVERVIEW

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

Headquartered in New York, N.Y., the Company was incorporated in New York in 1959, and was reincorporated in Delaware in 1970. The Company changed its name to Griffon Corporation in 1995.

Griffon currently conducts its operations through Telephonics Corporation (Telephonics), Clopay Building Products Company (Building Products) and Clopay Plastic Products Company (Plastics).

- Telephonics high-technology engineering and manufacturing capabilities provide integrated information, communication and sensor system solutions to military and commercial markets worldwide.

- 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.

- 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.

QUARTERLY OVERVIEW

Revenue for the Company s third quarter ended June 30, 2010 was $327.0 million, compared to $287.4 million last year, with revenue increases achieved in all segments. Income from continuing operations was $5.0 million, or $0.08 per diluted share, for the 2010 quarter compared to income of $6.1 million, or $0.10 per diluted share, in the prior year quarter. The current quarter results included approximately $1.0 million, net of tax, or $0.02 per diluted share of restructuring charges associated with the consolidation of facilities at Building Products. Loss from discontinued operations for the 2010 quarter was $21 thousand or $0.00 per diluted share, compared to income of $49 thousand, or $0.00 per diluted share, last year. Net income for the third quarter of 2010 was $5.0 million, or $0.08 per diluted share, compared to income of $6.1 million, or $0.10 per diluted share, in the prior year.

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On July 19, 2010, Clopay Acquisition entered into a definitive agreement to acquire ATT for a total consideration of $542 million, subject to certain adjustments. ATT is the leading North American manufacturer and marketer of non-powered lawn and garden tool, wheelbarrows, and other outdoor work products to the retail and professional markets. For the trailing twelve months ended July 3, 2010, ATT had $437 million of revenue and approximately $79 million in adjusted EBITDA, which is defined as net income plus income tax expense, interest expense, depreciation and amortization and excludes non-recurring gains.

On July 19, 2010, Clopay Corporation and Clopay Acquisition entered into a commitment letter with Goldman Sachs Lending Partners LLC (GSLP) for GSLP to arrange for the Term Loan Facility and the ABL Facility, the proceeds of which will be used in part to fund the acquisition of ATT, pay fees and expenses related to the acquisition and the financing, and refinance the CCA. The ABL Facility is expected to be undrawn at closing of the ATT acquisition. The assets of ATT, Plastics and Building Products will collateralize the Term Facility and ABL Facility; neither the Company nor Telephonics will guarantee these facilities. On July 26, 2010, Clopay Corporation and Clopay Acquisition, GSLP and J.P. Morgan Securities Inc. (JP Morgan) entered into an amended and restated commitment letter pursuant to which GSLP will act as sole lead arranger for the Term Loan Facility and JP Morgan will act as sole lead arranger for the ABL Facility.

RESULTS OF OPERATIONS

Three and nine months ended June 30, 2010 and 2009

The Company reviews its Segments excluding depreciation, amortization and restructuring charges to gain a better understanding of the operations and believes this information is useful to investors. The results of each Segment are accompanied by a reconciliation of Segment operating income to Segment income (loss) before depreciation, amortization and restructuring charges, as applicable.

Telephonics

(dollar amounts in thousands)	Three Months Ended June 30, 2010		Three Months Ended June 30, 2009		Nine Months Ended June 30, 2010		Nine Months Ended June 30, 2009	
Revenue	$ 100,413		$ 94,126		$ 320,222		$ 271,520	
Segment operating income	9,783	9.7%	9,908	10.5%	27,400	8.6%	23,538	8.7%
Depreciation and amortization	1,985		1,620		5,398		4,650	
Segment Adjusted EBITDA	$ 11,768	11.7%	$ 11,528	12.2%	$ 32,798	10.2%	$ 28,188	10.4%

For the quarter ended June 30, 2010, Telephonics revenue increased $6.3 million, or 7%, compared to the prior year quarter. The revenue increase was primarily attributed to the CREW 3.1 Sierra Nevada Corporation contract.

For the quarter ended June 30, 2010, segment operating profit decreased $0.1 million, or 1%, and operating profit margin decreased 80 basis points from the prior year quarter primarily due to a greater concentration of CREW 3.1 sales recognized at a lower gross margin.

For the nine months ended June 30, 2010, revenue increased $48.7 million, or 18%, compared to the prior year. The revenue increase was attributed to growth in weather and search/rescue radar applications, and the CREW 3.1 contract.

For the nine months ended June 30, 2010, segment operating profit increased $3.9 million, or 16%, from the prior year driven by revenue growth. Segment gross margin improvement over the prior year period was offset by an increase in SG&A expenses, which was primarily due to higher research expenditures, and additional expense necessary to support sales growth.

During the quarter, Telephonics was awarded several new contracts and received incremental funding on current

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contracts totaling $73 million. Contract backlog was $405 million at June 30, 2010 with 64% expected to be realized in the next 12 months. Backlog was $393 million at September 30, 2009 and $421 million at June 30, 2009.

During the quarter, Telephonics received official notification that it had been selected as the provider of the maritime surveillance radar system on the Fire Scout, the U.S. Navy s Vertical Take-off and Landing Unmanned Aerial Vehicle. This is expected to be a significant, long-term program.

Building Products

(dollar amounts in thousands)	Three Months Ended June 30, 2010			2009			Nine Months Ended June 30, 2010			2009		
Revenue	$	104,325		$	98,497		$	286,051		$	286,566	
Segment operating income (loss)		2,406	*2%*		639	*1%*		5,553	1.9%		(15,595)	*NM*
Depreciation and amortization		2,046			3,546			7,229			10,032	
Restructuring charges		1,489			38			3,720			38	
Segment Adjusted EBITDA	$	5,941	5.7%	$	4,223	*4%*	$	16,502	5.8%	$	(5,525)	*NM*

For the quarter ended June 30, 2010, Building Products revenue increased $5.8 million or 6% compared to the prior year quarter. The increase was primarily due to higher residential door volume, partially offset by the continued effects of the weak commercial construction market.

For the quarter ended June 30, 2010, Segment operating income increased $1.8 million or 276% compared to the prior year quarter. The improved operating performance was driven by higher volume, associated plant absorption and lower product costs driven by the various restructuring activities undertaken in the past several quarters.

For the nine months ended June 30, 2010, Building Products revenue decreased $0.5 million, or 0.2%, compared to the prior year. The decrease was primarily due to the continued effects of the weak commercial construction market, amid stabilization in the housing market, partially offset by the favorable translation benefit from a weaker U.S. dollar.

For the nine months ended June 30, 2010, Segment operating income (loss) increased $21.1 million compared to the prior year. The improved operating performance, notwithstanding the decline in revenue, was primarily due to the same factors noted in the discussion of third quarter results.

The segment s facilities consolidation project remains on schedule with expected completion in early calendar 2011.

Plastics

(dollar amounts in thousands)	Three Months Ended June 30, 2010			2009			Nine Months Ended June 30, 2010			2009		
Revenue	$	122,288		$	94,762		$	339,887		$	307,720	
Segment operating income		6,691	5.5%		4,780	5.0%		12,138	3.6%		16,894	5.5%
Depreciation and amortization		5,027			5,239			16,473			16,248	
Segment Adjusted EBITDA	$	11,718	9.6%	$	10,019	10.6%	$	28,611	8.4%	$	33,142	10.8%

For the quarter ended June 30, 2010, Plastics revenue increased $27.5 million, or 29%, compared to the prior year quarter. The increase was primarily due to higher volume from new customer wins and expanded programs with existing customers as well as higher customer selling prices driven by the pass through of higher resin costs.

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For the quarter ended June 30, 2010, Segment operating income increased by $1.9 million, or 40%, compared to the prior year quarter. The benefit of improved volume was partially offset by the negative impact of higher resin costs not yet passed through customers in the form of higher selling prices compared to the prior year quarter.

For the nine months ended June 30, 2010, Segment revenue increased $32.2 million, or 10%, compared to prior year. The increase was primarily due to higher unit volumes and the positive impact from foreign currency translation partially offset by the negative impact of higher resin costs.

For the nine months ended June 30, 2010, Segment operating profit decreased by $4.8 million, or 28%, compared to the prior year mainly due to the cost of resin which has rebounded from early calendar 2009 lows, increasing cost of sales; such increased costs were not yet reflected in higher customer selling prices, impacting margin. Plastics adjusts customer selling prices based on underlying resin costs, on a delayed basis.

Plastics continues to expand in foreign markets and increase its market share.

Unallocated Expenses

For the three and nine months ended June 30, 2010, unallocated expenses include approximately $0.3 and $1.7 million, respectively, of costs incurred in connection with evaluating various acquisition opportunities; there were no comparable expenses in the prior year periods.

Other income (expense)

In the first quarter of 2009, the Company recorded a non-cash, pre-tax gain from debt extinguishment of $4.3 million, net of a proportionate write-off of deferred financing costs, which resulted from its October 2008 purchase of $35.5 million of its outstanding convertible notes at a discount.

In the quarter ended June 30, 2010, interest expense increased $0.8 million from the prior year primarily as a result of higher borrowings; in the nine months ended June 30, 2010 interest expense was essentially flat with the prior year.

In the quarter and nine month period ended June 30, 2010, interest income decreased $0.3 million and $0.7 million, respectively, from the prior year, primarily as a result of lower interest rates.

Other, net in Other income (expense) included a loss of $0.6 million and a gain of $0.4 million for the three months and losses of $0.8 million and $0.5 million for the nine months ended June 30, 2010 and 2009, respectively, from foreign exchange losses in connection with the translation of receivables and payables denominated in currencies other than the functional currencies of the Company and its subsidiaries.

Provision for income taxes

The Company s effective tax rate for continuing operations for the quarter ended June 30, 2010 was a provision of 28.3%, compared to 7.8% in the prior year. The 2009 quarter effective tax rate reflected the benefit from the reversal of $1.4 million of previously established reserves related to uncertain tax positions due to the lapse of applicable statutes of limitation and certain tax planning initiatives, primarily with respect to foreign tax credits.

The Company s effective tax rate for continuing operations for the nine months ended June 30, 2010 was a provision of 12.6%, compared to a benefit of 41% in the prior year. The 2010 period reflected the benefit from the resolution of foreign income tax audits resulting in the release of $1.5 million of tax and accrued interest from previously established reserves for uncertain tax positions, and the adjustment of tax liabilities on filing of applicable tax returns. The prior year benefited from tax planning, primarily with respect to foreign tax credits and reversal of $1.4 million of previously established reserves related to uncertain tax positions due to the lapse of applicable statutes of limitation.

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Excluding the above discrete period items, the effective tax rate on continuing operations for the quarter and nine months ended June 30, 2010 would have been a provision of 28.7% and 27.3%, respectively. The effective tax rate for the 2009 quarter and nine month period ended June 30, 2009, excluding the discrete period items, would have been a provision of 30.6% and 28.2%, respectively.

Stock based compensation

For the quarters ended June 30, 2010 and 2009, stock based compensation expense totaled $1.5 million and $1.2 million, respectively. For the nine months ended June 30, 2010 and 2009, stock based compensation expense totaled $4.4 million and $3.0 million, respectively.

Discontinued operations Installation Services

As a result of the downturn in the residential housing market, in 2008, the Company exited substantially all of the operating activities of its Installation Services segment, which 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 the Installation Services segment have been reported as discontinued operations for all periods presented herein, and the Installation Services segment is excluded from segment reporting.

The Company 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, 2010 and 2009 as a result of the Company s exit from the segment in 2008.

Net income (loss) from discontinued operations of the Installation Services business was ($21) thousand and $49 thousand for the three months ended and $0.1 million and $0.7 million for the nine months ended June 30, 2010 and 2009, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Continuing Operations (in thousands)	**Nine Months Ended June 30, 2010**	**2009**
Net Cash Flows Provided by (Used In):		
Operating activities	$ 48,194	$ 41,940
Investing activities	(27,621)	(20,893)
Financing activities	15,395	(42,929)

Cash flows provided by continuing operations for the nine months ended June 30, 2010 were $48.2 million compared to $41.9 million in the prior year period. Working capital increased to $520.1 million at June 30, 2010 compared to $471.3 million at September 30, 2009, primarily as a result of long-term borrowing of $100 million in December 2009, partially offset by debt reductions of $81 million. Operating cash flows from

continuing operations were affected by an increase in accounts payable and accrued liabilities as well as an increase in inventories and accounts receivable. The increase in receivables and payables is primarily attributable to higher sales volumes in all segments.

Payments related to revenue derived from the Telephonics segment are received in accordance with the terms of development and production subcontracts to which the Company 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 that are received in advance of production, and where payment terms are established in advance. With respect to Building Products, there have been no material adverse impacts on payment for sales.

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A small number of customers account for a substantial portion of historical net revenue, and the Company expects that this will continue for the foreseeable future. Approximately 18% and 18% of consolidated revenue from continuing operations for the quarters ended June 30, 2010 and 2009, respectively, and 47% and 54% of Plastics sales for the quarters ended June 30, 2010 and 2009, respectively, were to Procter & Gamble Co. (P&G). Approximately 18% and 20% of total revenue from continuing operations for the nine months ended June 30, 2010 and 2009, respectively, and 49% and 56% of Plastics sales for the nine months ended June 30, 2010 and 2009, respectively, were to P&G. The Home Depot, Inc. and Menards, Inc. are significant customers of Building Products, and Lockheed Martin Corporation and the Boeing Company are significant customers of Telephonics. Future operating results will continue to substantially depend on the success of the largest customers and the Company 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 the sales volume from any one of these customers would have an adverse affect on the Company s liquidity and operations.

During the nine months ended June 30, 2010, the Company used cash for investing activities of continuing operations of $27.6 million compared to $20.9 million in the prior year period, primarily for capital expenditures. The Company expects capital spending to be in the range of $40 million to $45 million for the 2010 operating year.

During the nine months ended June 30, 2010, cash provided by financing activities totaled $15.4 million compared to cash used by financing activities of $42.9 million in the prior year period, increasing primarily due to the issuance of the $100 million principal of 4% convertible subordinated notes on December 21, 2009, due 2017 (the 2107 Notes).

Cash and Equivalents, and Debt (in thousands)	**At June 30, 2010**	**At September 30, 2009**
Cash and equivalents	$ 351,633	$ 320,833
Notes payables and current portion of long-term debt	51,892	78,590
Long-term debt, net of current maturities	123,874	98,394
Debt discount	23,280	2,820
Total debt, excluding debt discount	199,046	179,804
Cash and equivalents, net of debt, excluding debt discount	**$ 152,587**	**$ 141,029**

At June 30, 2010, $21.1 million was outstanding under the CCA, a five-year, $100 million senior secured revolving credit facility; approximately $49.8 million was available to borrow under the facility. As discussed above, upon closing the ATT acquisition, the CCA is expected to be amended and expanded with the amended agreement collateralized by the combined assets of Clopay and ATT.

At June 30, 2010, $3 million was outstanding under the Telephonics Credit Agreement (TCA), a five-year, $100 million senior secured revolving credit facility; approximately $91.6 million was available to borrow under the facility.

The CCA and the TCA include various sublimits for standby letters of credit. At June 30, 2010, there were approximately $15.6 million of aggregate standby letters of credit outstanding under these facilities. These agreements limit dividends and advances that these subsidiaries may pay to the Company. The agreements permit the payment of income taxes, overhead and expenses, with dividends or advances in excess of these amounts limited based on (a) with respect to the CCA, maintaining certain minimum availability under the loan agreement or (b) with respect to the TCA, compliance with certain conditions and limited to an annual maximum.

At June 30, 2010, the Company complied with the covenants under its respective credit facilities, and expects to remain in compliance for the reasonably foreseeable future. The CCA provides for credit availability primarily based on working capital assets and imposes one ratio compliance requirement, which becomes operative only in the event that utilization of that facility were to reach a defined level significantly beyond the June 30, 2010 level. The TCA is a cash flow based facility and compliance with required ratios at June 30, 2010 was well within the parameters set forth in that agreement. Further, the covenants within such credit facilities do not materially affect

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the Company s ability to undertake additional debt or equity financing for Griffon, the parent company, as such credit facilities are at the subsidiary level and are not guaranteed by Griffon. The debt balances under these credit facilities approximate fair values, as the interest rates are indexed to current market rates.

On December 21, 2009, the Company issued the 2017 Notes - $100 million principal of 4% convertible subordinated notes due 2017. 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 approximately $14.91 per share. This represents a 23% conversion premium over the $12.12 per share closing price on December 15, 2009. The outstanding balance of these notes on June 30, 2010 was $100 million and the fair value was approximately $100 million, based on quoted market price (level 1 inputs).

The Company had $50 million outstanding of 4% convertible subordinated notes due 2023 (the 2023 Notes) at June 30, 2010. Holders of the 2023 Notes may require the Company to repurchase all or a portion of their 2023 Notes on July 18, 2010, 2013 and 2018, if the Company s common stock price is below the conversion price of the 2023 Notes, as well as upon a change in control. The Company anticipated that noteholders would require the Company to repurchase their outstanding 2023 Notes on the earliest of these dates. As such, these notes have been included in notes payable and current portion of long-term debt in the September 30, 2009 and June 30, 2010 balance sheets as it has been expected that the notes would be put to the Company as the stock price was below the conversion price. At June 30, 2010, the fair value approximated $50 million, based on quoted market price (level 1 inputs). In July 2010, substantially all of the 2023 Notes were put to the Company at par and settled.

In January 2010, the Company purchased $10.1 million face value of the 2023 Notes for $10.2 million. The Company recorded a pre-tax gain from debt extinguishment of $32 thousand, offset by $20 thousand for a proportionate reduction in the related deferred financing costs for a net pre-tax gain of $12 thousand. Capital in excess of par was reduced by $0.3 million related to the equity portion of the extinguished 2023 Notes and the debt discount was reduced by $0.2 million.

In December 2009, the Company purchased $19.2 million face value of the 2023 Notes for $19.4 million. Including a proportionate reduction in the related deferred financing costs, the Company recorded an immaterial net pre-tax loss on the extinguishment in the first quarter of 2010. Capital in excess of par value was reduced by $0.7 million related to the equity portion of the extinguished 2023 Notes and the debt discount was reduced by $0.5 million.

In April 2009, the Company purchased $15.1 million face value of the 2023 Notes for $14.3 million. The Company recorded a pre-tax gain from debt extinguishment of $0.3 million, offset by $0.1 million for a proportionate reduction in the related deferred financing costs for a net pre-tax gain of $0.2 million in the third quarter of 2009. Capital in excess of par value was reduced by $0.3 million related to the equity portion of the extinguished 2023 Notes and the debt discount was reduced by $0.8 million.

In October 2008, the Company purchased $35.5 million face value of the 2023 Notes for $28.4 million. The Company recorded a pre-tax gain from debt extinguishment of $4.6 million, offset by $0.3 million for a proportionate reduction in the related deferred financing costs for a net pre-tax gain of $4.3 million in the first quarter of 2009. No portion of the extinguishment was attributed to capital in excess of par value and the debt discount was reduced by $2.5 million.

The Company had $79.4 million and $130 million of 2023 Notes outstanding at September 30, 2009 and 2008, respectively.

Approximately 1.4 million shares of common stock are available for purchase pursuant to the Company s stock buyback program and additional purchases, including pursuant to a 10b5-1 plan, may be made, depending upon market conditions and other factors, at prices deemed appropriate by management.

The Company s Employee Stock Ownership Plan has a loan agreement, guaranteed by the Company,

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which requires payments of principal and interest through the expiration date of September 2012 at which time the $3.9 million balance of the loan, and any outstanding interest, will be payable. The primary purpose of this loan and its predecessor loans, which were refinanced by this loan in October 2008, was to purchase 547,605 shares of the Company s common stock in October 2008. The loan bears interest at rates based upon the prime rate or LIBOR. The balance of the loan was $5.2 million at June 30, 2010, and the outstanding balance approximates fair value, as the interest rates are indexed to current market rates.

In June 2009, the Company announced plans to consolidate facilities in its Building Products segment scheduled to be completed in early 2011. When completed, the Company expects annual cost savings of $10 million. The Company estimates that it will incur pre-tax exit and restructuring costs approximating $11 million, substantially all of which will be cash charges, including $2 million for one-time termination benefits and other personnel costs, $1 million for excess facilities and related costs and $8 million in other exit costs primarily in connection with production realignment. In addition, the Company expects to make an investment in capital expenditures of $11 million in order to complete the restructuring plan. These charges and investments will occur primarily in 2010 and 2011. To date the Company has incurred $5.0 million in related charges and made capital investments of $8.9 million.

The Company 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, 2010 are estimated to be $3.0 million. Certain of the Company s subsidiaries are also contingently liable for approximately $2.0 million related to certain facility leases with varying terms through 2012 that were assigned to the respective purchasers of certain of the Installation Services businesses. The Company does not believe it has a material exposure related to these contingencies.

Anticipated cash flows from operations, together with existing cash and cash equivalents, bank lines of credit and lease line availability, are expected to be adequate to finance presently anticipated working capital and capital expenditure requirements and to repay long-term debt as it matures. The Company expects to use $96 million of its and Clopay s cash, together with the proceeds from the new Term Loan Facility, to fund the ATT acquisition, pay fees and expenses related to the acquisition and financing, and pay down the CCA.

CRITICAL ACCOUNTING POLICIES

The preparation of the Company s consolidated financial statements in conformity with GAAP requires the Company 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. The Company 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. The Company s actual results may materially differ from these estimates. There have been no changes in the Company s critical accounting policies from September 30, 2009.

The Company 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, 2009. 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. The Company 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 the Company.

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.

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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 the Company s financial position, business strategy and the plans and objectives of the Company 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, the negative of these expressions or comparable terminology. Such forward-looking statements involve important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ materially from those expressed in any forward-looking statements. These risks and uncertainties include, among others: general domestic and international business, financial market and economic conditions; the credit market; the housing market; results of integrating acquired businesses into existing operations; the results of the Company s restructuring and disposal efforts; competitive factors; pricing pressures for resin and steel; capacity and supply constraints; the Company s ability to identify and successfully consummate and integrate value-adding acquisition opportunities; and the ability of the Company to remain in compliance with the covenants under its respective credit facilities. 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 the Company to differ are discussed under the caption Forward-Looking Statements in the Company s Form 10-K Annual Report for the year ended September 30, 2009. 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 the Company s filings with the U.S. Securities and Exchange Commission. Readers are cautioned not to place undue reliance on the Company s forward-looking statements. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect future events or circumstances or to reflect the occurrence of unanticipated events.

Item 3 - Quantitative and Qualitative Disclosure About Market Risk

Management does not believe that there is any material market risk exposure with respect to derivative or other financial instruments that is required to be disclosed.

Item 4 - Controls and Procedures

Under the supervision and with the participation of the Company s Chief Executive Officer (CEO) and Chief Financial Officer (CFO), the Company s disclosure controls and procedures were evaluated as of the end of the period covered by this report. Based on that evaluation, the Company s CEO and CFO concluded that the Company s disclosure controls and procedures were effective.

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

Limitations on the Effectiveness of Controls

The Company 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. The Company s disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and the Company s CEO and CFO have concluded that such controls and procedures are effective at the reasonable assurance level.

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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 the Company s Annual Report on Form 10-K for the year ended September 30, 2009, which could materially affect the Company s business, financial condition or future results. The risks described in the Company s Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company s business, financial condition and/or operating results.

In July 2010, Clopay Corporation and Clopay Acquisition Corp. entered into a definitive agreement to acquire Ames True Temper, Inc. (ATT) for total consideration of $542 million, subject to certain adjustments. In July 2010, Clopay Corporation and Clopay Acquisition Corp. also entered into debt commitment letters with respect to a new $500 million term loan facility and $150 million asset-backed revolving credit facility, the proceeds of which will be used in part to fund the acquisition of ATT, pay fees and expenses related to the acquisition and the financing, and repay the Clopay Credit Agreement. The acquisition is subject to certain conditions such as antitrust clearance.

We will face risks commonly encountered with a substantial acquisition and related financing including:

- We may have failed to identify material problems and liabilities in our due diligence review;
- We may fail to successfully integrate certain aspects of the operations, administration functions and personnel of ATT;
- We have a lean corporate senior management team which could be distracted by the time and commitment required in connection with the integration of ATT;
- Risks associated with expanding into new geographic regions such as the Far East and Australia, including new business cultures and new regulatory environments;
- We may fail to maintain good relationships with employees, suppliers and customers of ATT following the change in ownership;
- The lenders under the debt commitment letters could exercise the customary market flex terms contained therein if needed to syndicate the loans, which could result in higher interest rates and other financing terms less favorable to the Company; and
- The additional indebtedness we will incur to fund the acquisition of ATT could adversely affect our liquidity and financial stability.

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

None

Item 3 **Defaults upon Senior Securities**

None

Item 4 **[Removed and Reserved]**

Item 5 **Other Information**

None

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Item 6 **Exhibits**

Exhibit 10.1 Offer Letter Agreement dated April 27, 2010 between the Company and Seth L. Kaplan (attached hereto).
Exhibit 10.2 Severance Agreement dated April 27, 2010 between the Company and Seth L. Kaplan (attached hereto).
Exhibit 31.1 Certification pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (attached hereto).
Exhibit 31.2 Certification pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (attached hereto).
Exhibit 32 Certifications pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (attached hereto).

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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 2, 2010

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