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

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**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **February 3, 2011**

**GRIFFON CORPORATION**

(Exact Name of Registrant as Specified in Charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**1-06620**  
(Commission  
File Number)

**11-1893410**  
(I.R.S. Employer  
Identification Number)

**712 Fifth Avenue, 18<sup>th</sup> Floor**  
**New York, New York**  
(Address of Principal Executive Offices)

**10019**  
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 5.02            Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

Griffon Corporation 2011 Equity Incentive Plan

On February 3, 2011, the stockholders of Griffon Corporation (“Griffon”) approved the Griffon Corporation 2011 Equity Incentive Plan (“Incentive Plan”) at the annual meeting of stockholders. Any employee or non-employee director of, or consultant to, Griffon and its subsidiaries is eligible to participate in the Incentive Plan. The Incentive Plan will be administered by the Compensation Committee of Griffon’s Board of Directors (the “Committee”). The Committee may award restricted stock and restricted stock units and establish the applicable restrictions. The Committee may award stock options in the form of nonqualified stock options or incentive stock options, or stock appreciation rights, each with a maximum term of ten years. In addition, the Committee may grant performance awards, deferred stock and other stock-based awards, with performance awards payable to, or exercisable by, the participant upon the achievement of performance goals during performance periods. The maximum number of shares as to which stock options and stock awards may be granted under the Incentive Plan is 3,000,000. The maximum number of shares that may be awarded to a participant in any fiscal year shall not exceed 2,000,000 with respect to options or 1,000,000 with respect to any award other than an option award. If any award (including awards made under the Griffon Corporation 2006 Equity Incentive Plan) is forfeited, terminates or expires unexercised, the shares of common stock subject to such award will again be available for future grant. This summary description of the Incentive Plan is qualified in its entirety by reference to the actual Incentive Plan, which is filed as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference. A copy of the form of award agreement to be used for restricted share awards under the Incentive Plan is filed as Exhibit 99.2 to this Form 8-K.

Effective as of the approval of the Incentive Plan by our stockholders on February 3, 2011, Griffon will not grant any new awards under the following plans:

- the Griffon Corporation 2001 Stock Option Plan
- the Griffon Corporation 2006 Equity Incentive Plan
- the Griffon Corporation Outside Director Stock Award Plan

Griffon Corporation 2011 Performance Bonus Plan

On February 3, 2011, the stockholders of Griffon approved the Griffon Corporation 2011 Performance Bonus Plan (“Bonus Plan”) at the annual meeting of stockholders. Any employee of Griffon is eligible to participate in the Bonus Plan. The Bonus Plan will be administered by the Committee. All awards under the Bonus Plan will be paid in cash, and will be based on a performance period, which may be of any length, as determined by the Committee. The Committee will determine a target bonus opportunity or range of bonus opportunities for each participant based on the attainment of one or more performance goals established by the Committee. Performance goals must be based on one or more of the performance criteria enumerated in the Bonus Plan.

The Bonus Plan is designed to qualify any awards payable to our Chief Executive Officer and Griffon's four other most highly compensated executive officers ("Covered Employees") as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code. In general, Section 162(m) disallows a tax deduction to a public company for any compensation paid to a Covered Employee in excess of \$1 million per year, unless the compensation qualifies as performance-based compensation. In general, these requirements include the establishment of objective performance goals for the payment of such compensation by a committee of the Board of Directors composed solely of two or more outside directors, stockholder approval of the material terms of such compensation prior to payment, and certification by the committee that the performance goals for the payment of such compensation have been achieved.

This summary description of the Bonus Plan is qualified in its entirety by reference to the actual Bonus Plan, which is filed as Exhibit 99.3 to this Form 8-K and is incorporated herein by reference.

#### Amendment to Employment Agreement with Ronald J. Kramer

Effective February 3, 2011, Griffon and Ronald J. Kramer, Griffon's Chief Executive Officer, entered into an amendment to Mr. Kramer's employment agreement. Pursuant to the amendment:

- Griffon agreed to provide a driver for the automobile to which Mr. Kramer is entitled
- Griffon agreed to increase the amount of the death benefit under Mr. Kramer's life insurance policy from \$5,000,000 to \$10,000,000
- Griffon modified Mr. Kramer's entitlement to a gross-up payment for excise taxes that may be incurred under Section 4999 of the Internal Revenue Code (the "Code") so that Mr. Kramer would not be required to bear the portion of any excise tax under Code Section 4999 with respect to a change in control occurring during the period April 2, 2012 to December 31, 2012 solely attributable to the fact that fees Mr. Kramer received as a non-employee director of Griffon prior to becoming Griffon's CEO would (pursuant to Code Section 280G and the regulations thereunder) be included in determining Mr. Kramer's five year average compensation for a change in control occurring during such period

This summary description is qualified in its entirety by reference to the actual amendment to Mr. Kramer's employment agreement, which is filed as Exhibit 99.4 to this Form 8-K and is incorporated herein by reference.

#### **Item 5.05      Amendment to the Registrant's Code of Ethics, or Waiver of a Provision of the Code of Ethics**

On February 3, 2011, Griffon's Board of Directors approved a new Code of Business Conduct and Ethics (the "Code"). The Code has been rewritten with the intent of making it easier for employees to understand.

In addition, on February 3, 2011, Griffon amended its *Code of Ethics for the Chairman and Chief Executive Officer and Senior Financial Officers* to, among other things, reflect allocating the responsibility for overseeing Griffon's ethics program from the Nominating and Corporate Governance Committee to the Audit Committee.

The new *Code* is filed as Exhibit 14.1 to this Form 8-K. A copy of the *Code of Ethics for the Chairman and Chief Executive Officer and Senior Financial Officers*, as amended, is filed as Exhibit 14.2 to this Form 8-K.

**Item 5.07. Submission of Matters to a Vote of Security Holders.**

On February 3, 2011, Griffon held its 2011 Annual Meeting of Stockholders. Of the 62,118,043 shares of common stock outstanding and entitled to vote, 58,919,343 shares, or 94.9%, were represented at the meeting in person or by proxy, and therefore a quorum was present. The final results for each of the matters submitted to a vote of stockholders at the Annual Meeting are as follows:

**Item No. 1:** All of the Board's nominees for Class I director were elected to serve until Griffon's 2014 Annual Meeting of Stockholders, by the votes set forth below:

<u>Nominee</u>	<u>For</u>	<u>Withheld</u>	<u>Broker Non-Votes</u>
Dr. Bertrand M. Bell	53,464,370	2,793,584	5,839,277
Rear Admiral Robert G. Harrison (USN Ret.)	53,602,538	2,665,416	5,839,277
Ronald J. Kramer	54,812,036	1,445,918	5,839,277
Martin S. Sussman	54,762,167	1,495,787	5,839,277

**Item No. 2:** The stockholders approved, on an advisory basis, the compensation of the named executive officers as disclosed in Griffon's proxy statement, by the votes set forth below:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-votes</u>
43,245,931	6,620,484	6,391,539	5,839,277

**Item No. 3:** The stockholders expressed their preference for the holding of an advisory vote on executive compensation on an annual basis, by the votes set forth below:

<u>One Year</u>	<u>Two Years</u>	<u>Three Years</u>	<u>Abstain</u>	<u>Broker Non-votes</u>
25,113,988	19,614,107	5,151,538	9,039,710	3,177,888

In accordance with the results of this vote, the Board of Directors determined to implement an annual advisory vote on executive compensation.

**Item No. 4:** The stockholders approved the Griffon Corporation 2011 Equity Incentive Plan, by the

votes set forth below:

<b>For</b>	<b>Against</b>	<b>Abstain</b>	<b>Broker Non-votes</b>
45,856,633	10,107,219	294,102	5,839,277

**Item No. 5:** The stockholders approved the Griffon Corporation 2011 Performance Bonus Plan, by the votes set forth below:

<b>For</b>	<b>Against</b>	<b>Abstain</b>	<b>Broker Non-votes</b>
53,765,087	2,227,639	261,203	5,843,302

**Item No. 6:** The stockholders ratified the appointment of Grant Thornton LLP as Griffon's independent registered public accounting firm for fiscal 2011, by the votes set forth below:

<b>For</b>	<b>Against</b>	<b>Abstain</b>
58,072,265	615,785	159,172

**Item 9.01. Financial Statements and Exhibits.**

(d) *Exhibits.*

- 14.1 Code of Business Conduct and Ethics
- 14.2 Code of Ethics for the Chairman and Chief Executive Officer and Senior Financial Officers
- 99.1 Griffon Corporation 2011 Equity Incentive Plan
- 99.2 Form of Award Agreement for Restricted Share Award under Griffon Corporation 2011 Equity Incentive Plan
- 99.3 Griffon Corporation 2011 Performance Bonus Plan
- 99.4 Amendment No. 1 to Employment Agreement made as of February 3, 2011 by and between Griffon Corporation and Ronald J. Kramer

**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 hereunto duly authorized.

GRIFFON CORPORATION

By: /s/ Seth L. Kaplan  
Seth L. Kaplan  
Senior Vice President

Date: February 9, 2011

## Exhibit Index

14.1	Code of Business Conduct and Ethics
14.2	Code of Ethics for the Chairman and Chief Executive Officer and Senior Financial Officers
99.1	Griffon Corporation 2011 Equity Incentive Plan
99.2	Form of Award Agreement for Restricted Share Award under Griffon Corporation 2011 Equity Incentive Plan
99.3	Griffon Corporation 2011 Performance Bonus Plan
99.4	Amendment No. 1 to Employment Agreement made as of February 3, 2011 by and between Griffon Corporation and Ronald J. Kramer

Ethical business is good business.

Integrity is central to our identity and at the heart of all we do.

Griffon Corporation is committed to maintaining the highest standards of conduct. Ethical behavior is morally right and legally required, and requires your personal commitment, the same kind of commitment that we believe you and your fellow employees expect for themselves and the Company from others.

The good name and reputation of Griffon and its businesses are fundamental to our continued success. Each one of us has a personal responsibility to ensure that this reputation remains unblemished by conducting our business in an honest and ethical manner in compliance with all applicable laws and regulations.

The Code of Business Conduct and Ethics cannot address every situation our personnel may encounter, nor is it a strict list of do's and don'ts. Rather, it is a basis for you to make sound moral and ethical judgments in business dealings. Other Company policies, practices and procedures, as well as sound common sense, also apply.

The Company will schedule periodic training sessions on matters related to the *Code*. At the conclusion of these sessions, you will be given a statement to sign confirming your review of the *Code* and your attendance at the training sessions. A copy of this acknowledgment will be placed in your personnel file.

As a company, we are committed to the *Code*, and we require our personnel to adhere to it. Accordingly, we urge you to report suspected violations of the *Code* to your Ethics Liaison Officer, your supervisor or any of the officers responsible for your division. If you wish to report suspected violations anonymously, or if you feel that reports of suspected violations have been ineffective, we urge you to use the "Compliance Line" reporting process.

If at any time you have questions about the *Code*, contact your supervisor, your local Human Resources representative, your Ethics Liaison Officer, or Griffon's Ethics Officer.

Remember, ethical behavior is at the heart of all good businesses.

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**How to use this information**

Griffon's Code of Business Conduct and Ethics is the cornerstone of our Ethics Program and applies to all employees, officers and directors of the Company (referred to in the *Code* as "personnel"). This document provides you with a general overview of our policies and procedures as well as guidelines of conduct in various scenarios. It is not intended as a definitive description of every corporate policy that may apply to you.

For a detailed explanation of the additional policies and procedures that govern your actions in the workplace, talk with your supervisor and/or Human Resources, or the Ethics Liaison Officer.

**Operating globally**

Because we do business all around the world, on occasion our personnel will find themselves subject to multinational laws and regulations they may not be familiar with. It is our expectation that every employee, officer and director knows, follows and respects the laws of the land in which they work. In cases where these laws and cultural customs differ from the *Code*, it is our expectation that our personnel will follow whichever requires the highest standard of ethical conduct. In other words, behavior following local "norms" may not be followed if they conflict with the *Code*; and if local rules are stricter than those permitted by Griffon in other jurisdictions, the stricter local rules must be complied with.

Ethical

decision

making process

It is not always easy to determine the right thing to do in a particular work situation. Sometimes because of the complexity of the situation, the decision is not clear cut. Sometimes you may face situations in which the path you are considering, although not a violation of the law or policy, does not seem to be the “right thing to do.” In such cases, it is important to consider the matter in the context of our ethical philosophy and principles. To assist you, the decision making process provides a consistent approach to the evaluation of an ethical dilemma.

**A good ethical decision making process includes the-following elements:**

**REVIEW THE SITUATION AND HOW YOU FEEL ABOUT IT**

- Is it legal?
- Is it ethical
- Do I believe that it makes the Company or me “walk too close to the line”?
- Is it consistent with Company beliefs, policies and operating procedures?
- Does it accurately project the corporate image?
- How comfortable would I be explaining my actions in front of national television news cameras?
- How comfortable would I be if my decision was published in the newspaper?
- Would I do the same thing if a loved one, boss or friend were watching?

**USE YOUR RESOURCES**

- What policies should I consult with for additional information, assistance or advice?
- Who should I consult with if I have further questions or concerns?

Ethics policy

and principles

**Ethics Policy:** It is Griffon's policy to conduct its business honestly, ethically and in accordance with all applicable laws. We expect all personnel to conduct themselves with the highest standards of business conduct.

### **Ethics Principles**

**Doing what's right** is the guiding principle of Griffon. This includes:

- Honest and ethical conduct at all times
- Full, fair, accurate, timely and understandable disclosure in all public communications
- 100% compliance with applicable laws, rules and regulations
- Fair dealing with our customers, suppliers, competitors and employees, including properly maintaining the confidentiality of sensitive information
- Protection and proper use of Company assets
- The prompt internal reporting of violations of this policy to appropriate personnel
- Accountability for adherence to these standards

### **Why is this important?**

First and foremost, because our shared vision of creating the most trusted source of the products and services is central to who we are as a company. Second, because it has proven to be a foundation for our success. To demonstrate anything less than complete honesty, integrity and fairness to our customers, suppliers, shareholders and each other can undermine what we are all working so hard to build.

### **Your role**

The decisions you make on a daily basis not only affect the Company's bottom line, they also affect our reputation. That's why we expect you to do the right thing, for the right reason, in the right way, every time. And while it's the personal responsibility of each of us to strive to succeed in all our business endeavors, this success must never come at the expense of our ethical standards.

To that end, it is the personal responsibility of each of us to ensure that the Company's business is conducted in absolute compliance with applicable laws and Company policies. Should any questions or possible violations be observed, it is the responsibility of all personnel to share their concern with appropriate Company management.

Respect  
and concern  
for others

**Policy:** It is Griffon's policy to provide a work environment which affords all employees the opportunity to contribute to the best of their abilities. For this reason, Griffon will not tolerate discrimination, harassment/sexual harassment, or physical or verbal threats. The Company's policy on equal employment opportunity prohibits discrimination based on an individual's race, color, religion, national origin, gender, sexual orientation, age, physical or mental disability, service in the uniformed services, or any characteristic protected by law.

**Why is this important?**

Preventing harassment, discrimination and threats is a matter of respecting each other's rights and dignity, which is a basic value at Griffon.

Griffon's employees and business associates are entitled to conduct their business in a work environment free of these distractions and to work in an environment that is not "hostile". To help ensure such an environment, we must all take any discrimination, harassment or threat seriously and promptly advise appropriate management.

**Your role**

As an employee, officer or director, you are responsible for your actions while conducting Company business and are expected to treat co-workers, vendors, clients, customers and contractors with respect. Personnel who do not uphold such conduct will be subject to disciplinary action which may include termination of employment with Griffon. Working together to support these standards of conduct will create an environment of respect and concern for others.

Conflicts of

interest

**Policy:** It is Griffon's policy that all personnel must avoid any conflict, or even the appearance of a conflict, between their personal interest and the interest of the Company, unless it has been specifically described to and approved by the Company. A conflict of interest may exist when a person's private interest and the interests of the Company intersect. A conflict situation can arise when one of our personnel takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Unless disclosed and approved, neither our personnel, nor their immediate family members, may be involved with any business that competes or does business with Griffon.

**Why is this important?**

Griffon has an obligation to its customers, vendors and shareholders to ensure that business decisions are based on quality, price, delivery, service, experience and reputation. Further, business decisions must not be influenced by personal considerations or interests.

**Your role**

Seek guidance when you or a family member are involved in an activity, or have a personal interest, which could affect your objectivity in performing your duties and responsibilities at Griffon. Keep in mind that an actual conflict of interest does not need to be present to constitute a violation of this policy. Activities that create the appearance of a conflict of interest must be fully disclosed before actions are taken which could impact the reputation of Griffon or our personnel. Seek advice from Human Resources or the Ethics Liaison Officer for further guidance on how to make a disclosure.

## Corporate Opportunities

**Policy:** It is Griffon's policy that employees, officers and directors will not take for personal use, or for use by their immediate family member, any business opportunity learned of as a result of such individual's position with the Company. For example, no employee, officer or director should acquire any participating interest, direct or indirect, in any entity or venture when he or she knows that the Company may take or is taking steps to acquire any interest in such entity or venture.

### **Why is this important?**

Our personnel and their immediate family members are not to use Company property, information or position for personal gain. Employees, officers and directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

### **Your role**

To the extent that you learn of a business opportunity that is within the Company's existing or proposed lines of business, you should inform your supervisor, the Ethics Liaison Officer or the Board of Directors of the business opportunity and refrain from personally pursuing the matter until such time as the Company decides to forego the business opportunity.

## Insider trading

**Policy:** It is Griffon's policy that personnel must not benefit from, or enable others to benefit from, trading in securities/stocks based on material information not available to the general public.

### **Why is this important?**

First and foremost, insider trading is illegal and the consequences of insider-trading can be severe, including loss of employment, substantial fines and/or imprisonment. It is also a violation of Griffon's policy to trade Griffon stock while in possession of material nonpublic information.

Information may be considered material if:

- An investor considers it important when deciding whether to buy or sell securities/stocks
- Information could be viewed as altering the "total mix" of information made publicly available

Examples of material information may include (but not limited to):

- Mergers, acquisitions and divestitures
- Significant new product developments
- Revenues or earnings information

### **Your role**

If you have material nonpublic information about Griffon or other companies due to your role with Griffon, you are prohibited from trading in those companies' securities/stocks, as well as from communicating such information to family, friends or any other person.

Consult your Ethics Liaison Officer and the Company's Policy on Insider Trading for further guidance.



Gratuities  
and business  
courtesies

**Policy:** It is Griffon's policy that its personnel and representatives must conduct business with customers (including U.S. and foreign governments) and vendors on the basis of service, quality, performance and price without giving or accepting anything of value that could influence or appear to influence the outcome of a transaction. Further, it is against the law for employees or representatives of a U.S. corporation to give anything of value, directly or indirectly, to an official of another country in order to obtain or retain business or influence an official act or decision. In certain countries, businesses or entities may be owned by the local government, and people that you think of as working for an entity may actually be government employees.

**Why is this important?**

To ensure the integrity of our business transactions and to comply with applicable laws, sales, purchases and other business decisions must not be influenced or appear to be influenced by gifts or gratuities. Further, the Company has a long-standing tradition of not doing anything that might cause others to potentially violate the law or the policies of their employer.

*Gratuities* are defined as items of value (cash, goods, services, use of property, etc.) that are given voluntarily and not in return for, or in anticipation of, a reciprocal service or courtesy.

*Business Courtesies* are reasonable accommodations (meals, refreshments, entertainment, transportation or lodging, etc.) that *may* be offered or received only in connection with marketing, product information, procurement, public relations or other business activities of the Company.

**Your role**

**Giving Gratuities and Business Courtesies** — You should not offer or approve an offer for a gratuity or business courtesy which could be interpreted as an attempt to gain an unfair business advantage. Providing gratuities or business courtesies directly or otherwise to Government officials needs to be handled in accordance with applicable law. Very specific rules apply to business courtesies and gratuities offered to U.S. Government employees. There are also

specific rules that govern business courtesies and gratuities offered to employees of certain types of companies that are dependant on government funding, such as hospitals.

**Receiving Gratuities and Business Courtesies** — You should not solicit any gratuity or business courtesy at any time. In addition, you should not accept a gratuity or business courtesy if doing such could create an actual or perceived influence or unfair advantage in conducting business with Griffon.

Consult your Ethics Liaison Officer and local internal policies for further guidance.

Company

books, records

and reports

**Policy:** It is Griffon's policy that books and records must be maintained in accordance with proper accounting practices and all applicable laws and regulations. All time and costs must be accurately and completely recorded in a manner that can be easily audited. No false, misleading or artificial entries may be made in the books and records of the Company. Griffon is firmly committed to complying with all applicable laws and regulations relating to the preservation of records. Record retention is to be administered on a non-discretionary basis in accordance with applicable internal policies.

**Why is this important?**

As a public company there can be no compromise in the proper maintenance of our books, records and reports. The information from these records becomes a building block for our public reports to shareholders and regulators as well as for prices charged to our customers. Incorrect time charging or other business entries violate the trust of our customers, shareholders, and vendors and may also violate the law.

**Your role**

Accuracy of the Company's books and records begins with each of us. Whether the records are time cards, expense reports, general accounting records, or purchasing or manufacturing records, each of us has a personal responsibility to ensure that every document is complete and accurate. Under no circumstances are Company records to be destroyed selectively or to be maintained outside Company premises or designated storage facilities. However, Company records should be disposed of routinely at the end of the retention period set forth in the applicable internal record retention policy.

Responding to investigations

and legal action

**Policy:** Griffon takes seriously its responsibility to cooperate with government audits, investigations and inquiries. In this situation, Griffon strictly prohibits destroying or altering any documents or electronic records, lying to or misleading an investigator, or obstructing the collection of information.

**Why is this important?**

Griffon values the trust placed in our company. We face a significant risk of damaging that trust and our reputation when we are involved in an investigation or litigation. We must pay particular attention to conducting our business and ourselves according to the highest standards of business ethics. The Company can face substantial legal penalties for improperly destroying information or records or obstructing an audit or investigation.

**Your role**

You are required to cooperate in internal investigations. You must never destroy or alter any documents or electronic records, lie to or mislead an auditor or investigator, or obstruct the collection of information relating to an audit or investigation. In general, you will be notified when documents are to be preserved (even if their destruction would otherwise be called for by the records retention policy that applies). However, even in the absence of such a notification, if you ever have any doubts about whether it is appropriate to destroy a document under the records retention policy, please contact your Ethics Liaison Officer before doing so.

You must notify your Ethics Liaison Officer or the Legal Department immediately if you learn that a government agency or any third party is conducting an investigation or asking for information pertaining to a suspected violation of law.

Using

Company resources

**Policy:** It is Griffon's policy that Company resources are provided for the purpose of serving the business interests of the Company and may not be used for any illegal purpose, to support a personal business venture, for political purposes or any purpose which would cause embarrassment to Griffon. Personnel have no expectation of privacy in their use of Company property. Excessive personal use of Company property is prohibited as well. Downloading, storing or transmitting information which contains obscene or explicit language or images that are offensive are also prohibited.

**Why is this important?**

Our continued success depends on the appropriate and effective use of Company resources to benefit the organization as a whole. Improper use for non-business purposes could reduce profit to our shareholders, increase prices to our customers and, ultimately, result in decreased business and fewer jobs.

Griffon defines Company resources as facilities, equipment (including computers and phones), electronic and telecommunications media as well as any proprietary information that are used for conducting business.

**Your role**

Treat all Company resources with respect and keep in mind that access to these resources is a privilege. Use common sense when using e-mail, telephones, faxes or other Company resources and ensure that such use is not inappropriate, excessive or interfering with your responsibilities as an employee of Griffon. Remember that all software is to be used in accordance with applicable license agreements. Use of unauthorized computer software violates Company policy and may be in violation of federal copyright statutes.

Product

integrity

**Policy:** The Company is committed to providing products and services which are safe and which meet or exceed customer expectations of safety, reliability, quality and performance. Products and services must be accurately represented to our customers.

**Why is this important?**

Deficiencies in product quality, safety, design or installation may place the well being of customers, employees or others at risk. Any such deficiencies in product integrity must be reported promptly.

**Your role**

It is imperative that all employees design, manufacture and test our products in strict accordance with all contract requirements. Products and services must be accurately represented to our customers.

Employee  
health and  
safety and the  
environment

**Policy:** It is Griffon's policy that all personnel must comply with all applicable environmental and health and safety laws and regulations. Other than authorized security personnel, and subject to applicable law, no personnel may carry firearms, explosives, incendiary devices or any other weapons on Company premises, or while conducting Company business. This applies even to personnel who have a permit or license to carry a weapon. Similarly, Griffon strictly prohibits acts of physical intimidation, assaults, or threats of violence by any of its employees. Violations of this policy are not tolerated.

**Why is this important?**

The U.S. Government and many Governments of countries where we do business have established strict standards for the storage, use, treatment and disposal of a wide variety of materials for the assurance of employee health and safety. Failure to conduct our operations properly can have serious and damaging consequences for our employees, neighborhoods, customers, shareholders and the environment.

We are committed to not only comply with but, through continuous improvement programs, strive to exceed applicable environmental and employee health and safety standards by:

- Ensuring a safe work environment for all employees
- Eliminating or minimizing the generation of hazardous and other wastes
- Conserving energy, water and raw materials

The Company is committed to maintaining a safe workplace. Personnel are expected to know and comply with appropriate facility safety rules. Deficiencies in workplace safety should be reported promptly to management.

The use, possession or distribution by any employee of any illegal drug, illegally used prescription, controlled substance or alcoholic beverage on Company premises — or anywhere else in a manner which may harm the safety of any employee, the quality or efficiency of Company work or the general reputation of the Company — violates the *Code*, and may violate applicable law.

**Your role**

You should be aware of your surrounding environment and help operate our business in a compliant and responsible manner which will protect our employees, our communities and our environment. All personnel should be aware of the environmental, health and safety policies and procedures applicable to their business and strictly adhere to them. Personnel should never bring a weapon onto Company premises or commit or threaten acts of physical violence. Personnel who are aware that anyone on the premises has a weapon or is threatening physical violence should contact the Human Resources Department immediately.



Protecting  
information

**Policy:** It is Griffon's policy to proactively safeguard all information that could be reasonably considered Company sensitive as a means of preserving Griffon's integrity and protecting our competitiveness, profitability and security in dealing with all outside parties. It is also Griffon's policy to not use another company's proprietary information without their permission.

**Why is this important?**

Unauthorized disclosure of Company sensitive information, or unauthorized possession or use of someone else's sensitive information, could disadvantage the Company competitively, could compromise customer trust in Griffon and may expose the Company and the employee to legal liability.

Employees must be familiar with established policies and procedures that govern the protection of information. This may include:

- Company sensitive information
- Third party proprietary data
- Employee personal data
- Government classified information

If governing laws are violated, the Company and the person or persons involved in the violation could face substantial fines and/or imprisonment.

**Your role**

You must take care in protecting the Company's proprietary information which includes both technical and non-technical information. This duty to maintain the confidence of the Company's proprietary information extends even beyond the term of your employment with the Company.

Additionally, using another company's proprietary information without their permission can have serious implications for you and Griffon. Using unauthorized proprietary information of others, including that of competitors, customers, suppliers or individuals, could expose the organization to legal liability. You should never share proprietary information belonging to any previous employer with any person at Griffon.

When in doubt, seek guidance and remember — your obligation to protect Griffon's proprietary information extends not only to your period of employment, but also after your employment with Griffon ends.

Export,  
import and  
antiboycott  
compliance

**Policy:** It is Griffon's policy to abide by applicable export and import rules and regulations whenever and wherever Griffon's business is being conducted. Sharing, selling, giving, receiving or otherwise transferring Company products, services or technical data to or from a foreign person or entity must be in compliance with export and import rules of the United States and the foreign territory. In addition, there are anti-boycott laws and regulations which prohibit us from assisting in the boycott of another country.

**Why is this important?**

In today's global economy, providing or receiving hardware, software, services or technical data to and from a foreign company can be a highly complex process. Not only do you need to be aware of and comply with our country's import/export laws, you must also act in accordance with the laws and regulations of the applicable Government that controls such technology transfers. Certain licenses or other Government approvals may be required to export or import products, services or technical data. Noncompliance with the export and import laws and regulations can result in serious fines for Griffon and may even include a loss of export privileges or debarment as a federal contractor. Moreover, Griffon *may not* cooperate with, and must report to the U.S. Government, requests that are prohibited by the U.S. anti-boycott laws and regulations.

**Your role**

Early coordination with Company experts is critical. Export and import regulations are often complex and based on the type of goods, technology or services being exported or imported and the intended destination. The identity of the customer and the intended end user (if different) is also critical.

Compliance with export controls is more than simply shipping product overseas. It may also include any visual disclosure or discussion involving technical data with any foreign persons, abroad or in the U.S., including foreign national employees, consultants, temporary employees or contract laborers.

You should seek help and guidance before taking action which could expose you or the Company to violations of import, export or anti-boycott regulations.

Antitrust

and

competition

**Policy:** It is Griffon's policy and good business to obey the antitrust and competition laws of every country where we do business.

**Why is this important?**

The consequences of failing to follow antitrust and competition laws can be severe. Often this results in the violator being subject to criminal penalties, including imprisonment and/or significant fines as well as exposure to damages.

Certain types of conduct clearly violate U.S. antitrust laws and the competition laws of countries where business is being conducted. This type of conduct includes:

- Price fixing
- Bid rigging
- Market allocations of customers or territories
- Group boycotts

Other types of conduct may or may not violate U.S. antitrust laws or the competition laws of countries where the Company does business. Employees must check with the Ethics Liaison Officer before engaging in such conduct, especially the following:

- Tying arrangements — requiring procurement of a Company product or service in order to be able to buy another Company product or service.
- Exclusive dealing arrangements and requirements contracts.

**Your role**

Personnel should have a general awareness of the types of business arrangements that have antitrust implications and contact the Ethics Liaison Officer before entering into such arrangements. Personnel should promptly report potential antitrust/competition violations to the Ethics Liaison Officer.

Doing

business with

the government

**Policy:** It is Griffon's policy and good business to obey the laws of every country where we do business. It is also the policy of Griffon to deal with government representatives in an honest and ethical manner and to comply with government procurement rules and procedures.

**Why is this important?**

Violations of applicable laws and regulations in performing under U.S. and foreign government contracts can lead to substantial fines and penalties and in severe cases, suspension or debarment from receiving government contracts. These laws prohibit conduct that might unfairly favor one contractor over another during government procurement. Such conduct *may* include making employment offers or offering gratuities or business courtesies to government procurement officials, or acquiring confidential source selection information related to the government procurement. Many government contracts require us to provide information in connection with government audits and, in some instances, in connection with the negotiation of prices. When required by law, all Griffon personnel must ensure that the information we provide is current, accurate and complete.

U.S. Government contractors are required to timely disclose whenever, in connection with the award, performance, or closeout of a contract or any subcontract, the contractor has credible evidence that a principal, employee, agent or subcontractor of the contractor has committed: a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations or a violation of the civil False Claims Act. The disclosure requirement for an individual contract continues at least 3 years after final payment on the contract.

**Your role**

All personnel must exercise discretion, use sound business judgment and comply with applicable laws and regulations in dealing with governments in all countries in which we operate. It is expected that Griffon personnel will deal with government representatives in an honest and ethical manner and avoid any circumstance that could be considered as deceitful or fraud, creating the appearance of an impropriety, or a conflict of interest. Report any suspected violation by employees or subcontractors regarding fraud, conflict of interest, bribery, prohibited gratuities or the False Claims Act to the Ethics Liaison Officer immediately.

Recruiting

government

employees

**Policy:** It is Griffon's policy to conduct its recruiting and hiring practices of government employees in accordance with laws and regulations in which the Company operates and not create the appearance of an impropriety in this regard. Solicitation for employment, employment discussions and employment offers to current or former government officials (including military officers) must be made in accordance with the laws and regulations governing post-government employment.

**Why is this important?**

Current and former U.S. government employees are subject to federal laws and regulations that may limit the ability of the Company to recruit and hire certain individuals, and may limit the activities they may be able to perform for the Company. Depending on the circumstances, it may be against the law for you and that person to discuss potential employment with Griffon. Additionally, prior to engaging in employment discussions with government officials in other countries, guidance should be sought to ensure compliance with local country laws and regulations.

**Your role**

Griffon personnel, or anyone acting on our behalf, are prohibited from engaging in employment discussions with certain current U.S. Government employees. This means that you must not even discuss the possibility of employment with a current U.S. Government employee until they have formally notified their superior of such employment discussions.

Whether dealing with a U.S. government employee or government employee from another country, guidance should be obtained through the Ethics Liaison Officer to determine whether their employment could create a conflict of interest and/or a possible violation of law.

Procurement

integrity

**Policy:** It is Griffon's policy to compete fairly and ethically in all of its business dealings. As part of this process, personnel must strictly comply with the laws, rules and regulations that apply to U.S. government procurements. Personnel are prohibited from attempting to improperly obtain a competitor's bid or proposal information or any government source selection information.

**Why is this important?**

We are expected to deal fairly and honestly with customers, competitors, public agencies and subcontractors by ensuring that no data concerning customers or competitors is obtained or solicited in violation of law or regulation, and the confidentiality of procurement information is properly maintained.

For U.S. government procurements, there is a ban on either obtaining or disclosing certain contractor bid or proposal information or government source selection information. This includes competitive information submitted to a government agency as part of, or in connection with, a bid or proposal to enter into a government procurement contract. This may also include nonpublic information which has been prepared for use by the procuring agency in the evaluation of a contractor's bid or proposal. These procurement integrity restrictions apply to everyone involved in U.S. government procurement and it applies until the contract is awarded.

**Your role**

Always exercise caution should a third party offer to provide you with bid, proposal or source selection information and pay special attention to receiving or disclosing marketing intelligence, which may include competitor's price, cost data or program evaluation criteria.

Finally, all personnel involved with any aspect of government procurement must keep in mind that other confidentiality and nondisclosure restrictions may apply.

## Lobbying

### Expenditures

**Policy:** It is Griffon's policy to comply with all laws relating to political contributions and lobbying expenditures.

#### **Why is this important?**

The Company is limited by law regarding expenditures for lobbying activities, contributions to political parties or candidates and expenditures regarding ballot measures.

Contributions that are governed by our policy include more than just cash donations. They also include any costs incurred by the Company on behalf of any political party or candidate for political office, or any ballot measure, including, for example, postage, internal or purchased items such as graphics and printing, tickets to fund raisers and similar events, and the wages and benefits of employees for any time that they may spend during regular working hours in connection with such matters.

#### **Your role**

Personnel are encouraged to participate in the political process as good citizens, but those activities must be engaged in during their own time and at their own expense and may in no way be expressed as representing Griffon.

Problem  
reporting  
and resolution

**Policy:** It is Griffon’s policy that if you have knowledge of any activity that is or may be a violation of the *Code*, you should promptly report such activity to your supervisor, another member of management, Human Resources, the Ethics Liaison Officer, or anonymously through the Ethics Compliance Line at [XXX-XXX-XXXX]. Harassment of, or retaliation against, an employee for making a disclosure to the Ethics Liaison Officer or any member of management is prohibited by Company policy. Deliberately making a false report is also prohibited.

**Why is this important?**

Unethical behavior is wrong and can damage the Company. At Griffon, we believe upholding the *Code* is everyone’s responsibility. To that end, we’ve worked hard to create a culture of shared accountability, where everyone feels free to bring any ethical concerns forward.

Unfortunately, rules are sometimes broken. The Company must know about these violations so prompt and appropriate action may be taken. To help ensure the *Code* is enforced, all personnel should understand and accept their responsibility to report any violations and know they can do so without fear of retaliation. If any employee feels that he or she has been retaliated against for helping to uphold the *Code*, it is the policy of the Company to take immediate action.

Reports to the Ethics Liaison Officer may be made anonymously using the Ethics Compliance Line in the United States.

**Your role**

Employees are urged to seek answers or clarification if there are any doubtful or “gray” areas. We urge all employees to seek answers to questions concerning ethical behavior before it becomes a problem. Whether you speak to your supervisor, or someone in Human Resources, the Ethics Liaison Officer, or call the Ethics Compliance Line there are multiple avenues available to you to raise your concerns or questions.



## Enforcement

Anyone who suspects in good faith that the *Code* or a Company Policy has been violated has an obligation to report suspected violations to the Ethics Liaison Officer or to Griffon Corporation's Ethics Officer. *It is a breach of the Code for any manager or employee of the Company to retaliate or attempt to retaliate against any employee submitting such a report.* The Company takes allegations of violation seriously and will investigate them. Violators will be disciplined.

To promote and maintain a corporate environment which encourages the disclosure of concerns or reports, Griffon has established a separate and independent "Compliance Line" procedure for the receipt, investigating and reporting of information and reports of violations, or suspected violations of the *Code*.

### **ETHICS OFFICER**

Patrick L. Alesia has been designated the Corporate Ethics Officer for Griffon and all of its subsidiaries.

The Ethics Officer is responsible for the implementation of all matters relating to the *Code*, including establishing operating procedures, developing educational programs and materials for inclusion in the Company's ethics training program, dissemination of the *Code* (including via electronic means), overseeing the Company's "Compliance Line", and investigating and reporting of information and reports of suspected or known violations of the *Code*. The Ethics Officer may seek legal advice and investigative assistance from in-house counsel or outside counsel, as appropriate.

#### **1. Ethics Liaison Officers**

Each of the operating companies of Griffon Corporation shall designate an Ethics Liaison Officer. The Ethics Liaison Officers shall assist the Ethics Officer in all of his or her duties. The Ethics Officer may delegate such duties and responsibilities to the Ethics Liaison Officers as the Ethics Officer may deem appropriate and necessary.

#### **2. Reports**

The Ethics Liaison Officers shall provide annual written reports to the Ethics Officer describing the activities associated with these responsibilities, including implementation of the Company's Ethics Program.

The Ethics Liaison Officers' written reports will include information concerning (i) "Compliance Line" calls, (ii) areas of investigation, (iii) status and disposition of "Compliance Line" calls and investigations, including disciplinary actions taken, (iv) educational and training programs conducted on matters related to the *Code* during the reporting period and (v) educational and training programs planned for the next reporting period.

3. **Reporting:** Suspected instances of improper conduct may be reported to:

**ETHICS OFFICER**

Name: Patrick L. Alesia  
Griffon Corporation  
Telephone: 516-938-5544 (ext. 221)

**CLOPAY ETHICS LIAISON OFFICER**

Name: David E. Troller  
Clipay Corporation  
Telephone: 513-770-3935

**TELEPHONICS ETHICS LIAISON OFFICER**

Name: Courtney Phillips  
Telephonics Corporation  
Telephone: 631-755-7759

**AMES TRUE TEMPER LIASON OFFICER**

Name: Chris Ebling  
Ames True Temper, Inc.  
Telephone: 717-730-2502

**ETHICS COMPLIANCE LINE**

Telephone: [XXX-XXX-XXXX]

- **For matters related to U.S. Government contracts:**

DOD HOTLINE

DOD Inspector General Attn: Defense HOTLINE  
Address: 400 Army Navy Drive  
Washington, DC 22202-6884  
Telephone: (800) 424-9098

## Amendments and Waivers

The *Code* may be amended only by the Board of Directors of the Company.

Certain provisions of the *Code* require you to act, or refrain from acting, unless prior approval is received from the appropriate person. Employees requesting approval pursuant to the *Code* should request such approval from the Ethics Officer, the Ethics Liaison Officer or their designees. Any waiver of the *Code* for any executive officer or director of the Company may be made only by the Board of Directors or a duly authorized committee of the Board of Directors. Any waiver of the *Code* for any other employee of the Company may be made by the Ethics Officer or the Ethics Liaison Officer. To the extent required by applicable law, rule or stock exchange regulation, all material amendments and any waivers for executive officers or directors will be disclosed publicly.

In some situations it may not be clear whether a provision of the *Code* of Business Conduct and Ethics is intended to apply to particular conduct. In such situations, the Board of Directors and the Audit Committee have full power and authority to interpret the *Code* in a manner that they believe reflects the intent of the Board of Directors, and no determination that the *Code* was not intended to apply to such conduct shall be deemed to be a waiver of the *Code*'s prohibitions.

Where to go

for help

If you want help resolving questions about the *Code* as it applies to any specific situation, you should utilize one of the resources listed in this document.

### **Resources**

**Leadership** — Successive levels of leadership are available to discuss your ethical concerns or questions. They may refer you to a different supervisor, but in most circumstances this should be your first point of contact.

**Human Resources** — Contact your local Human Resources representative to assist with employee relations matters or as a general point of contact involving employee-related concerns.

**Ethics Liaison Officer** — Contact your Ethics Liaison Officer to answer questions, seek guidance, express concerns or report suspected violations of the *Code*.

**Ethics Compliance Line** — Griffon has a telephone Compliance Line, [XXX-XXX-XXXX], through which you may seek guidance or report suspected violations. Your report may be made anonymously. All information provided to the Ethics Compliance Line, including your identity, will be kept confidential to the extent reasonable possible in light of the Company's investigation and reporting obligations.

**CODE OF ETHICS FOR THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND SENIOR FINANCIAL OFFICERS OF GRIFFON CORPORATION**

It is the policy of Griffon Corporation that the Chairman and Chief Executive Officer and other senior financial officers of Griffon Corporation (“Griffon”) adhere to and advocate the following principles governing their professional and ethical conduct in the fulfillment of their responsibilities:

1. Act with honesty and integrity, avoiding actual or apparent conflicts between his or her personal, private interests and the interests of Griffon, including receiving improper personal benefits as a result of his or her position.
  2. Disclose to the Corporate Ethics Officer of Griffon any material transaction or relationship that reasonably could be expected to give rise to a conflict of interest.
  3. Perform responsibilities with a view to causing periodic reports and documents filed with or submitted to the SEC and all other public communications made by Griffon to contain information which is accurate, complete, fair, objective, relevant, timely and understandable.
  4. Comply with laws, rules and regulations of federal, state, and local governments applicable to Griffon, and with the rules and regulations of private and public regulatory agencies having jurisdiction over Griffon.
  5. Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting or omitting material facts or allowing independent judgment to be compromised or subordinated.
  6. Respect the confidentiality of information acquired in the course of performance of his or her responsibilities except when authorized or otherwise legally obligated to disclose any such information; not use confidential information acquired in the course of performing his or her responsibilities for personal advantage.
  7. Share knowledge and maintain skills important and relevant to the needs of Griffon, its shareholders and other constituencies, and the general public.
  8. Pro-actively promote ethical behavior among subordinates and peers in his or her work environment and community.
  9. Use and control all corporate assets and resources employed by or entrusted to him or her in a responsible manner.
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10. Not use corporate information, corporate assets, corporate opportunities or his or her position with Griffon for personal gain; not compete directly or indirectly with Griffon.

11. Comply in all respects with Griffon's Code of Business Conduct and Ethics.

12. Advance Griffon's legitimate interests when the opportunity arises.

The Audit Committee will investigate any reported violations and will oversee an appropriate response, including corrective action and preventative measures. Any officer who violates this Code will face appropriate, case-specific disciplinary action, which may include demotion or discharge.

Any request for a waiver of any provision of this Code must be in writing and addressed to the Corporate Ethics Officer. Any waiver of this Code will be disclosed promptly on Form 8-K or any other means approved by the SEC.

It is also the Policy of Griffon Corporation that each officer covered by this Code shall acknowledge and certify to the foregoing annually and file a copy of such certification with Griffon's Corporate Ethics Officer.

**OFFICER'S CERTIFICATION**

I have read and understand the foregoing Code of Ethics. I hereby certify that I am in compliance with the foregoing Code of Ethics, and I will comply with the Code in the future. I understand that any violation of the Code will subject me to appropriate disciplinary action, which may include demotion or discharge.

Date: \_\_\_\_\_ Name: \_\_\_\_\_

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**GRIFFON CORPORATION**  
**2011 EQUITY INCENTIVE PLAN**

1. **Purpose.** The purpose of the Griffon Corporation 2011 Equity Incentive Plan (the "Plan") is to attract, motivate and retain selected employees, consultants and non-employee directors for the Company and its subsidiaries, to provide such persons with incentives and rewards for superior performance and to better align the interests of such persons with the interests of the Company's stockholders.
  2. **Definitions.** As used in this Plan, the following terms shall be defined as set forth below:
    - 2.1. "Award" means any Performance Shares, Performance Units, Options, Stock Appreciation Rights, Restricted Shares, Deferred Shares or Other Stock-Based Awards granted under the Plan.
    - 2.2. "Award Agreement" means an agreement, certificate, resolution or other form of writing or other evidence approved by the Committee that sets forth the terms and conditions of an Award. An Award Agreement may be in an electronic medium, or may be limited to a notation on the Company's books or records, but shall be signed by a representative of the Company and the Participant unless otherwise approved by the Committee.
    - 2.3. "Base Price" means the price used as the basis for determining the Spread upon the exercise of Stock Appreciation Right.
    - 2.4. "Board" means the Board of Directors of the Company.
    - 2.5. "Cause" means, (a) if the applicable Participant is party to an effective employment, consulting, severance or similar agreement with the Company or any of its Subsidiaries, the meaning of such term as defined therein; (b) if the applicable Participant is not a party to an effective employment, consulting, severance or similar agreement or if no definition of "Cause" is set forth in the applicable employment, consulting, severance or similar agreement, "Cause" shall have the same meaning as such term is defined in the applicable Award Agreement; and (c) if the applicable Participant is not a party to any effective employment, consulting, severance or similar agreement or no definition of "Cause" is set forth in the applicable employment, consulting, severance or similar agreement, and no definition of "Cause" is set forth in the applicable Award Agreement, "Cause" shall mean (i) engaging in (A) willful or gross misconduct or (B) willful or gross neglect; (ii) failing to adhere to the directions of superiors or the Board or the written policies and practices of the Company or its Subsidiaries or affiliates; (iii) the commission of a felony or a crime involving any of the following: moral turpitude, dishonesty, breach of trust or unethical business conduct; or the commission of any crime involving the Company or its Subsidiaries or affiliates; (iv) fraud, misappropriation or embezzlement; (v) a material breach of the Participant's employment agreement (if any) with the Company or its Subsidiaries or affiliates; (vi) acts or omissions constituting a material failure to perform substantially and adequately the duties assigned to the Participant; (vii) any illegal act detrimental to the Company or its Subsidiaries or affiliates; or (viii) repeated failure to devote substantially all of the Participant's business time and efforts to the Company if required by the Participant's employment agreement.
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2.6. “*Change in Control*” means, after the Effective Date:

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.35. “*Subsidiary*” means a corporation or other entity in which the Company owns or controls directly or indirectly at least 50 percent of the total combined voting power represented by all classes of stock issued by such corporation, or in the case of a noncorporate entity, at least 50% of the profits or capital interests in such entity, at the time of such grant.

3. **Shares Available Under the Plan.**

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

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

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

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

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

4. **Plan Administration.**

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

4.2. *Committee Powers.* The Committee shall have full authority to interpret the Plan; to establish and amend rules and regulations relating to the Plan; to select the Participants and determine the type of Awards to be made to Participants, the number of shares subject to Awards

and the terms, conditions, restrictions and limitations of Awards; and to make all other determinations as are necessary or advisable for the administration of the Plan.

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

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

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

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

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

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

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

- (i) Only Employees who are "Covered Employees" within the meaning of Section 162(m) of the Code shall be eligible to receive Qualified Performance-Based

Awards. The Committee shall designate in its sole discretion which Covered Employees shall be Participants for a Performance Period within the earlier of the (a) first 90 days of a Performance Period and (b) the lapse of 25% of the Performance Period.

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

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

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

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

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

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

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

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

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

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

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

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

7.1. *Payment in Shares.* Any amount payable upon the exercise of a Stock Appreciation Right shall be paid by the Company in Shares. Any grant may specify that the number of Shares payable upon the exercise of a Stock Appreciation Right shall not exceed a maximum number of Shares specified by the Committee on the Grant Date.

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

may specify that a Stock Appreciation Right may be exercised only in the event of a Change in Control or other similar transaction or event.

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

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

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

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

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

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

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

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

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



10. ***Vesting.***

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

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

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

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

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

12. ***Transferability.***

12.1. *Transfer Restrictions.* Except as provided in Section 12.2, no Award granted shall be transferable by a Participant other than by will or the laws of descent and distribution, and Options and Stock Appreciation Rights shall be exercisable during a Participant’s lifetime only by the Participant or, in the event of the Participant’s legal incapacity, by his or her guardian or legal representative acting in a fiduciary capacity on behalf of the Participant under state law. Any attempt to transfer an Award in violation of this Plan shall render such Award null and void.

12.2. *Limited Transfer Rights.* The Committee may expressly provide in an Award Agreement (or an amendment to an Award Agreement) that a Participant may transfer such Award (other than an Incentive Stock Option), in whole or in part, to a spouse or lineal descendant (a “Family Member”), a trust for the exclusive benefit of Family Members, a partnership or other entity in which all the beneficial owners are Family Members, or any other

entity affiliated with the Participant that may be approved by the Committee. Subsequent transfers of Awards shall be prohibited except in accordance with this Section 12.2. All terms and conditions of the Award, including without limitation provisions relating to termination of the Participant's employment or service with the Company or a Subsidiary, shall continue to apply following a transfer made in accordance with this Section 12.2. In order for a transfer to be effective, a Participant must agree in writing prior to the transfer on a form provided by the Company to pay any and all payroll and withholding taxes due upon exercise of the transferred Option. In addition, prior to the exercise of a transferred Option by a transferee, arrangements must be made by the Participant with the Company for the payment of all payroll and withholding taxes. Finally, the Company shall be under no obligation to provide a transferee with any notice regarding the transferred Awards held by the transferee upon forfeiture or any other circumstance.

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

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

14. *Adjustments.* The Committee shall make or provide for appropriate adjustments in the (a) number of Shares covered by outstanding Options, Stock Appreciation Rights, Deferred Shares, Restricted Shares, Performance Shares and Other Stock-Based Awards granted hereunder, (b) prices per Share applicable to such Options and Stock Appreciation Rights, and (c) kind of Shares covered thereby (including Shares of another issuer), as the Committee in its sole discretion may in good faith determine to be equitably required in order to prevent dilution or enlargement of the rights of Participants that otherwise would result from (x) any stock dividend, stock split, combination or exchange of Shares, recapitalization or other change in the capital structure of the Company, (y) any merger, consolidation, spin-off, spin-out, split-off, split-up, reorganization, partial or complete liquidation or other distribution of assets (other than a normal cash dividend), issuance of rights or warrants to purchase securities, or (z) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee may provide in substitution for any or all outstanding Awards such alternative consideration as it may in good faith determine to be equitable under the circumstances and may require in connection therewith the surrender of all Awards so replaced. The Committee may also make or provide for such adjustments in each of the limitations specified in Section 3 as the Committee in its sole discretion may in good faith determine to be appropriate in order to reflect any transaction or event described in this Section 14. The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

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

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

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

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

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

provisions that are inconsistent with the terms of this Plan, as then in effect, unless this Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Company.

20. ***Amendments and Other Matters.***

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

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

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

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

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

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

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

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

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

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

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

21.4. If a Change in Control occurs during the term of one or more Performance Periods for which the Committee has granted performance-based Awards pursuant to the provisions of Section 5, the term of each such Performance Period (hereinafter a "current Performance Period") shall immediately terminate upon the occurrence of such Change in Control. Upon a Change in Control, for each current Performance Period and each completed Performance Period for which the Committee has not on or before such date made a determination as to whether and to what degree the Performance Objectives for such period have been attained (hereinafter a "completed Performance Period"), it shall be assumed that the Performance Objectives have been attained at a level of one hundred percent (100%) or the equivalent thereof. A Participant in one or more current Performance Periods shall be considered to have earned and, therefore, be entitled to receive, a prorated portion of the Award previously

granted to him for each such current Performance Period. Such prorated portion shall be determined by multiplying the number of Performance Shares or Performance Units (or other performance-based Awards), as the case may be, granted to the Participant by a fraction, the numerator of which is the total number of days that have elapsed since the beginning of the current Performance Period, and the denominator of which is the total number of days in such current Performance Period. A Participant in one or more completed Performance Periods shall be considered to have earned and, therefore, be entitled to receive all the Performance Shares or Performance Units (or other performance-based Awards), as the case may be, previously granted to him during each such completed Performance Period.

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

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

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

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

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

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

26. **Regulatory Approvals and Listings.** Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates of Shares evidencing Awards or any other Award resulting in the payment of Shares prior to (i) the

obtaining of any approval from any governmental agency which the Company shall, in its sole discretion, determine to be necessary or advisable, (ii) the admission of such Shares to listing on the stock exchange or market on which the Shares may be listed, and (iii) the completion of any registration or other qualification of said Shares under any state or federal law or ruling of any governmental body which the Company shall, in its sole discretion, determine to be necessary or advisable. The Committee may, from time to time, impose additional restrictions upon an Award, including but not limited to, restrictions regarding tax withholdings and restrictions regarding the Participant's ability to exercise Awards under the Company's broker-assisted stock option exercise program.

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

28. **No Guarantee of Tax Consequences.** Notwithstanding any other provision of the Plan, no person connected with the Plan in any capacity, including, but not limited to, the Company and its directors, officers, agents and employees, makes any representation, commitment, or guarantee that any tax treatment, including, but not limited to, federal, state and local income, estate and gift tax treatment, shall be applicable with respect to the tax treatment of any Award, any amounts deferred under the Plan, or paid to or for the benefit of a Participant under the Plan, or that such tax treatment shall apply to or be available to a Participant on account of participation in the Plan, or that any of the foregoing amounts shall not be subject to the 20% penalty tax and interest under Section 409A of the Code.

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

**[Letterhead of Griffon Corporation]**

[date]

[name]  
[address]

Dear [name]:

This letter confirms that, pursuant to the Griffon Corporation 2011 Equity Incentive Plan (the "Plan") you have been granted restricted shares (the "Award") by Griffon Corporation (the "Company") with a grant date of (the "Grant Date").

This Award is subject to the applicable terms and conditions of the Plan, which are incorporated herein by reference, and in the event of any contradiction, distinction or difference between this letter and the terms of the Plan, the terms of the Plan will control. Unless otherwise stated herein, capitalized terms used herein have the meanings set forth in the Plan.

Except as otherwise provided in this letter, subject to your continued service with the Company or its Subsidiaries, the restrictions on your Award shall lapse with respect to all shares subject to the Award on [insert time-based and any other vesting conditions]. Notwithstanding the foregoing, upon [insert any terms providing for vesting in connection with termination of employment], the restrictions on your Award shall immediately lapse.

Any dividends paid with respect to the shares of Common Stock underlying your Award shall be subject to the same restrictions as your Award and will be delivered to you if and when the restrictions on your Award lapse.

Unless otherwise determined by the Committee or as set forth above, upon your termination of service with the Company or its Subsidiaries for any reason prior to the lapse of the restrictions on your Award, your Award shall be immediately forfeited on such date with no further compensation due to you.

The restricted shares granted to you will be issued, subject to the terms and provisions of the Plan and this letter, into your name in book entry registration form. Book entry is a system whereby your ownership is duly recorded and no physical stock certificate is delivered. At all times you will be the registered owner of the restricted shares, subject to the applicable vesting conditions being satisfied.

At such time as the restrictions lapse, you must make appropriate arrangements with the Company concerning withholding of any taxes that may be due with respect to such Common Stock. You may tender cash payment to the Company in an amount equal to the required withholding or request the Company retain the number of shares of Common Stock whose fair market value equals the amount to be withheld. As promptly thereafter as possible, the Company will issue to you the shares released from restrictions and release any related dividend amounts payable to you in connection with such restriction lapse.

The Company may impose any additional conditions or restrictions on the Award as it deems necessary or advisable to ensure that all rights granted under the Plan satisfy the requirements of applicable securities laws. The Company shall not be obligated to issue or deliver any shares if such action violates any provision of any law or regulation of any governmental authority or national securities exchange.

The Committee may amend the terms of this Award to the extent it deems appropriate to carry out the terms of the Plan. The construction and interpretation of any provision of this Award or the Plan shall be final and conclusive when made by the Committee.

Nothing in this letter shall confer on you the right, express or implied, to continue in the service of the Company or its Subsidiaries or interfere in any way with the absolute right of the Company or its Subsidiaries to terminate your service at any time.

Please sign and return a copy of this agreement to the Company's Senior Vice President and Chief Administrative Officer designating your acceptance of this Award. This acknowledgement must be returned within thirty (30) days;

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otherwise, the Award will lapse and become null and void. Your signature will also acknowledge that you have received and reviewed the Plan and that you agree to be bound by the applicable terms of such document.

Very truly yours,

GRIFFON CORPORATION

By: \_\_\_\_\_  
Name: Patrick L. Alesia  
Title: SVP, Chief Administrative Officer

ACKNOWLEDGED AND ACCEPTED

\_\_\_\_\_  
[name]

Dated: \_\_\_\_\_

Enclosure (Copy of Plan)

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## GRIFFON CORPORATION

## 2011 PERFORMANCE BONUS PLAN

Section 1. Purpose. The purpose of the Griffon Corporation Performance Bonus Plan (the "Plan") is to benefit and advance the interests of Griffon Corporation, a Delaware corporation (the "Company"), by rewarding selected employees of the Company and its subsidiaries and divisions (each such subsidiary or division is referred to herein as a "Business Unit") for their contributions to the Company's financial success and thereby motivate them to continue to make such contributions in the future by granting performance-based awards ("Awards").

Section 2. Certain Definitions. For the purposes of the Plan the following terms shall be defined as set forth below:

- (a) "Applicable Employee Remuneration" has the meaning given to such term in Section 162(m)(4) of the Code.
  - (b) "Base Salary Percentage" means a percentage of the Participant's annual base salary in effect as of the later of (i) the first day of the Performance Period or (ii) the common salary adjustment date within the Performance Period.
  - (c) "Board" means the Board of Directors of the Company.
  - (d) "Code" means the Internal Revenue Code of 1986, as amended.
  - (e) "Committee" means the Compensation Committee of the Board.
  - (f) "Company Plan" means the Company's internal Fiscal Year Plan for the relevant Fiscal Year.
  - (g) "Covered Employee" has the same meaning given to such term in Section 162(m)(3) of the Code; provided, however, that a person will be considered a Covered Employee for purposes of this Plan only if such employee's Applicable Employee Remuneration for the relevant Fiscal Year is expected to exceed \$1,000,000.
  - (h) "Financial Criteria" has the meaning given to that term in Section 6(a) hereof.
  - (i) "Fiscal Year" means the fiscal year ending on September 30 or such other period that the Company may hereafter adopt as its fiscal year.
  - (j) "Performance Period" means the period of time over which the Performance Threshold must be satisfied, which period may be of such length as the Committee, in its discretion, shall select. The Performance Period need not be identical for all Awards. Within one Fiscal Year, the Committee may establish multiple Performance Periods.
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(k) “Performance Threshold” has the meaning given to such term in Section 6(b) hereof (in the case of a Covered Employee), or Section 7(b) hereof (in the case of a Participant who is not a Covered Employee).

(l) “Target” has the meaning given to such term in Section 6(a) hereof (in the case of a Covered Employee), or Section 7(a) hereof (in the case of a Participant who is not a Covered Employee).

Section 3. Administration of the Plan.

(a) Generally. The Plan shall be administered by the Committee. The Committee is authorized to administer, interpret and apply the Plan and from time to time may adopt such rules, regulations and guidelines consistent with the provisions of the Plan as it may deem advisable to carry out the Plan, except that the Committee may authorize any one or more of its members, or any officer of the Company, to execute and deliver documents on behalf of the Committee. The Committee’s interpretations of the Plan, and all actions taken and determinations made by the Committee pursuant to the powers vested in it hereunder, shall be conclusive and binding on all parties concerned, including the Company, its stockholders and Participants (as defined below). The Committee shall have authority to determine the terms and conditions of the Awards granted to Participants.

(b) Delegation. The Committee may delegate its responsibilities for administering the Plan to any executive officer of the Company, as the Committee deems necessary; provided however, that the Committee shall not delegate its responsibilities under the Plan relating to Covered Employees.

(c) Reliance and Indemnification. The Committee may employ attorneys, consultants, accountants or other persons, and the Committee, the Company and its officers and directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. No member of the Committee nor any executive officer of the Company shall be personally liable for any action, determination or interpretation taken or made in good faith by the Committee or such executive officer of the Company with respect to the Plan or Awards granted hereunder, and all members of the Committee and each executive officer of the Company shall be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

Section 4. Eligible Persons. All employees of the Company shall be eligible to participate in the Plan (“Eligible Persons”). An individual shall be deemed an employee for purposes of the Plan only if such individual receives compensation from either the Company or one of its Business Units for services performed as an employee of the Company or any one of its Business Units for any period during a Performance Period. An Eligible Person who is a Covered Employee shall be entitled to participate in the Plan with respect to a Performance Period which has commenced only if he or she commenced employment on or before the beginning of each Performance Period or any later date described in Treasury Regulation 1.162-27(e)(2) (or any successor thereto).

Section 5. Awards; Participants. Awards may be granted only to Eligible Persons with respect to each Performance Period, subject to the terms and conditions set forth in the Plan. An Eligible Person who has been chosen to receive an Award under the Plan shall be referred to as a "Participant."

Section 6. Determination of Targets, Performance Thresholds and Base Salary Percentage for Covered Employees. Prior to the beginning of each Performance Period or any later date described in Treasury Regulation 1.162-27(e)(2) (or any successor thereto), the Committee shall adopt each of the following with respect to each Participant who is a Covered Employee:

(a) one or more Targets, which shall be equal to a desired level or levels (as may be measured on an absolute or relative basis, where relative performance may also be measured by reference to: past performance of the Company or a Business Unit, a group of peer companies or by a financial market index) for any Performance Period of: consolidated pretax earnings; return on capital, equity or assets; earnings measures/ratios (on a gross, net, pre-tax or post-tax basis), including basic earnings per share, diluted earnings per share, total earnings, operating earnings, earnings growth, earnings before interest and taxes and earnings before interest, taxes, depreciation and amortization; net economic profit (which is operating earnings minus a charge to capital); net income; operating income; sales; sales growth; gross margin; direct margin; Share price (including but not limited to growth measures and total stockholder return); operating profit; per period or cumulative cash flow (including but not limited to operating cash flow and free cash flow) or cash flow return on investment (which equals net cash flow divided by total capital); inventory turns; financial return ratios; market share; balance sheet measurements such as receivable turnover; improvement in or attainment of expense levels; improvement in or attainment of working capital levels; debt reduction; strategic innovation; customer or employee satisfaction; individual objectives; and any combination of the foregoing (collectively, the "Financial Criteria"). With respect to any Covered Employee who is employed by a Business Unit, the Financial Criteria shall be based on the results of such Business Unit, results of the Company, or any combination of the two;

(b) a Performance Threshold with respect to each Target, applicable to one or more Financial Criteria, which represents a minimum amount that must be attained for a Participant to receive an Award;

(c) either (i) a Base Salary Percentage, or (ii) fixed monetary amounts, which, in each case, shall be payable as an Award in the event that 100% of such Participant's Targets are achieved.

(d) a mathematical formula or matrix that shall contain weighting for each Target and indicate the extent to which Awards will be paid if such Participant's Performance Thresholds with respect to his or her Targets are achieved or exceeded.

The Committee shall make such adjustments, to the extent it deems appropriate, to the Targets and Performance Thresholds to compensate for, or to reflect, any material changes which may have occurred in accounting practices, tax laws, other laws or regulations, the financial structure of the Company, acquisitions or dispositions of Business

Units or any unusual circumstances outside of management's control which, in the sole judgment of the Committee, alters or affects the computation of such Targets and Performance Thresholds or the performance of the Company or any relevant Business Unit (each an "Extraordinary Event").

Section 7. Determination of Targets, Performance Thresholds and Base Salary Percentage For Participants Who Are Not Covered Employees. Prior to the end of the Performance Period, the Committee shall adopt each of the following with respect to each Participant who is not a Covered Employee:

(a) one or more Targets, which shall be equal to a desired level or levels for any Performance Period of any, or a combination of any, quantitative criteria (the "Quantitative Criteria," which Quantitative Criteria may include, without limitation, any Financial Criteria) or qualitative criteria (the "Individual Criteria"). With respect to such Participants who are employed by a Business Unit, the Quantitative Criteria may be based on the results of such Business Unit, consolidated results of the Company, or any combination of the two;

(b) a Performance Threshold with respect to each Target, applicable to one or more Quantitative Criteria or Individual Criteria, which represents a minimum that must be attained for a Participant to receive an Award;

(c) either (i) a Base Salary Percentage, or (ii) fixed monetary amounts, which, in each case, shall be payable as an Award in the event that 100% of such Participant's Targets are achieved.

(d) a mathematical formula or matrix that shall contain weighting for each Target and indicate the extent to which Awards will be paid if such Participant's Performance Thresholds with respect to his or her Targets are achieved or exceeded.

The Committee may make such adjustments, to the extent it deems appropriate, to the Targets and Performance Thresholds to compensate for, or to reflect, any material changes which may have occurred due to an Extraordinary Event.

Section 8. Calculation of Awards; Certification; Payment; Deferral. As soon as practicable after the end of the Performance Period, and subject to any necessary verification, the Committee shall determine with respect to each Participant whether and the extent to which the Performance Thresholds applicable to such Participant's Targets were achieved or exceeded. Such Participant's Award, if any, shall be calculated in accordance with the mathematical formula or matrix determined pursuant to Section 6 or 7, as applicable, and subject to the limitations set forth in Section 9 hereof. The Committee shall certify in writing the amount of such Award and whether each material term of the Plan relating to such Award has been satisfied. Subject to Section 9 hereof, such Award shall become payable in cash as promptly as practicable thereafter, provided however, that any Award shall be paid within 2½ months of the end of the year in which the Award is no longer subject to a risk of forfeiture.

Section 9. Limitations; Modifications to Awards. Each Award determined pursuant to Section 6 or 7 hereof shall be subject to modification or forfeiture in accordance with the following provisions:

(a) Limitations. The aggregate amount of any Award to any Participant for any Performance Period as finally determined by the Committee, shall constitute the Participant's Award for the Fiscal Year; provided, however that no Award for any Participant for any Fiscal Year shall exceed \$10,000,000.

(b) Modifications. At any time prior to the payment of an Award, the Committee may, in its sole discretion, (i) increase, decrease or eliminate the Award payable to any Participant who is not a Covered Employee and who would not become a Covered Employee as a result of any such increase or (ii) decrease or eliminate the Award payable to any Covered Employee, in each case to reflect the individual performance and contribution of, and other factors relating to, such Participant. The Committee may make such adjustments, to the extent it deems appropriate to any Award to compensate for, or to reflect, any Extraordinary Event. The determination of the Committee as to matters set forth in this Section 9(b) shall be final and conclusive.

Section 10. Employment Requirement. No Participant shall have any right to receive payment of any Award unless such Participant remains in the employ of the Company or a Business Unit through the date of payment of such Award; provided, however, that the Committee may, in its sole discretion, pay all or any part of an Award to any Participant who, prior to such date of payment, retires, dies or becomes permanently disabled or where other special circumstances exist with respect to such Participant, so long as the Performance Thresholds applicable to the Participant's Targets were achieved or exceeded. The maximum amount of such payment, if any, will be calculated, and to the extent determined by the Committee, paid as provided in Section 6 or 7. The determination of the Committee shall be final and conclusive.

Section 11. Miscellaneous.

(a) No Contract; No Rights to Awards or Continued Employment. The Plan is not a contract between the Company and any Participant or other employee. No Participant or other employee shall have any claim or right to receive Awards under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained by the Company or any of its Business Units.

(b) No Right to Future Participation. Participation in the Plan during one Performance Period shall not guarantee participation during any other Performance Period.

(c) Restriction on Transfer. The rights of a Participant with respect to Awards under the Plan shall not be transferable by the Participant to whom such Award is granted (other than by will or the laws of descent and distribution), and any attempted assignment or transfer shall be null and void and shall permit the Committee, in its sole discretion, to extinguish the Company's obligation under the Plan to pay any Award with respect to such Participant.

(d) Tax Withholding. The Company or a subsidiary thereof, as appropriate, shall have the right to deduct from all payments made under the Plan to a Participant or to a Participant's beneficiary or beneficiaries any Federal, foreign, state or local taxes required by law to be withheld with respect to such payments.

(e) No Restriction on Right of Company to Effect Changes. The Plan shall not affect in any way the right or power of the Company or its stockholders to make or authorize any recapitalization, reorganization, merger, acquisition, divestiture, consolidation, spin off, combination, liquidation, dissolution, sale of assets, or other similar corporate transaction or event involving the Company or a subsidiary thereof or any other event or series of events, whether of a similar character or otherwise.

(f) Source of Payments. The Plan shall be unfunded. The Plan shall not create or be construed to create a trust or separate fund or segregation of assets of any kind or a fiduciary relationship between the Company and a Participant or any other individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof. To the extent that any Participant is granted an Award hereunder, such Participant's right to receive payment of such Award shall be no greater than the right of any unsecured general creditor of the Company.

(g) No Interest. If the Company for any reason fails to make payment of an Award at the time such Award becomes payable, the Company shall not be liable for any interest or other charges thereon.

(h) Amendment and Termination. The Committee may at any time and from time to time alter, amend, suspend or terminate the Plan in whole or in part. No such amendment shall be effective which alters the Award, Target or other criteria relating to an Award applicable to a Covered Employee for the Performance Period in which such amendment is made or any prior Performance Period, except any such amendment that may be made without causing such Award to cease to qualify as performance-based compensation under Section 162(m)(4)(C) of the Code.

(i) Governmental Regulations. The Plan, and all Awards hereunder, shall be subject to all applicable rules and regulations of governmental or other authorities.

(j) Headings. The headings of sections and subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

(k) Governing Law. The validity, construction, interpretation, administration and effect of the Plan and of its rules and regulations, and rights relating to the Plan, shall be determined solely in accordance with the laws of the State of Delaware, without regard to the choice-of-law principles thereof, and applicable federal law.

(l) Severability. If any term or provision ("Provision") of the Plan or the application thereof (i) as to any Participant or circumstance (other than as described in clause (ii)) is, to any extent, found to be illegal or invalid, or (ii) would cause any Award to any Covered Employee not to constitute performance-based compensation under Section

162(m)(4)(C) of the Code, then the Committee shall sever such Provision from the Plan and, thereupon, such Provision shall not be a part of the Plan.

(m) Effective Date. The Plan shall be effective as of November 16, 2010; provided, however, that it shall be a condition to the effectiveness of the Plan, and any Awards made on or after November 16, 2010, that the stockholders of the Company (the "Stockholders") approve the Plan at the first Annual Meeting of Stockholders to be held after such date. Such approval shall meet the requirements of Section 162(m) of the Code and the regulations thereunder. If such approval is not obtained, then the Plan shall not be effective.

(n) Approval and Reapproval by Stockholders. To the extent required under Section 162(m) of the Code and the regulations thereunder, (i) any change to the material terms of the Financial Criteria shall be disclosed to and approved by the Stockholders at the next Annual Meeting of Stockholders to be held following such change, and (ii) the material terms of the Financial Criteria shall be disclosed to and reapproved by the Stockholders no later than the Annual Meeting of Stockholders that occurs in the fifth year following the year in which Stockholders approve the Financial Criteria.



**AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT**

AMENDMENT NO. 1 TO THE EMPLOYMENT AGREEMENT (this "Amendment") made as of February 3, 2011 by and between GRIFFON CORPORATION, a Delaware corporation (hereinafter "Griffon") and RONALD J. KRAMER (hereinafter "Kramer").

**WITNESSETH:**

WHEREAS, Griffon and Kramer entered into an Employment Agreement dated as of March 16, 2008 (hereinafter the "Employment Agreement");

NOW, THEREFORE, the parties hereto agree to amend the Employment agreement as follows, effective as of the date hereof:

1. Section 4(b) shall be amended by deleting the phrase "of between 0% and 250% of Salary, with a target bonus of 150% of Salary (the "Target Bonus")," from the first sentence thereof.
2. Section 7(b) shall be amended by inserting the phrase "and driver" immediately following the term "automobile" and by inserting the phrase "the driver's salary," immediately preceding the phrase "lease payments."
3. The following new sentence shall be added to the end of Section 9(i):

"For purposes of this Section 9 and Section 1(j), "Target Bonus" shall mean 150% of Salary then in effect."

4. Section 8(c) shall be amended by deleting the amount "\$5,000,000" and inserting the amount "\$10,000,000" in place thereof.
5. The following new paragraph (iii) shall be added to Section 11(a):

"(iii) Change in Control After the Fourth Anniversary of the Commencement Date, but Prior to January 1, 2013. Upon the occurrence of a change in control or ownership (or other similar event) after the fourth anniversary of the Commencement Date, but prior to January 1, 2013, if all or any portion of the payments provided under this Agreement, and/or any other payments and benefits that Kramer receives or is entitled to receive from Griffon, a Subsidiary or any other person, whether or not under an existing plan, arrangement or other agreement, constitutes a Parachute Payment and will result in the imposition on Kramer of an excise tax under Section 4999 of the Code, then, in addition to any other benefits to which Kramer is entitled under this Agreement, Griffon shall pay him an amount in cash equal to the difference between (A) the excise taxes payable by him by reason of receiving Parachute Payments using a "Base Amount" calculated under Section 280G(b)(3) of the Code and (B) the excise taxes payable using an adjusted base amount that takes into account Kramer's

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“annualized includible compensation for the base period” (as defined in Section 280G(d)(1) of the Code, but without regard to Section 280G(d)(3) of the Code) assuming, for purposes of this subparagraph (B), that the applicable base period only includes the calendar years 2008 through 2011 (the “Differential Payment”), plus the amount necessary to put him in the same after-tax position (taking into account any and all applicable federal, state and local excise, income or other taxes at the highest possible applicable rates on such Differential Payment (including without limitation any payments under this Section 11)) as if no excise taxes had been imposed with respect to the Differential Payment. Notwithstanding the foregoing, in the event that the aggregate amount of Parachute Payments is no more than 10% greater than the Safe-Harbor Amount, Kramer shall not be entitled to a payment under this paragraph (iii) and the Parachute Payments shall instead be reduced as provided in paragraph (i) in an amount sufficient to reduce the aggregate amount of Parachute Payments below the Safe-Harbor Amount.”

6. The following new sentence shall be added to the end of Section 11(a)(i):

“Any such reduction in the preceding sentence shall be made in the following order, (i) first, any future cash payments (if any) shall be reduced (if necessary, to zero); (ii) second, any current cash payments shall be reduced (if necessary, to zero); (iii) third, all non-cash payments (other than equity or equity derivative related payments) shall be reduced (if necessary, to zero); and (iv) fourth, all equity or equity derivative payments shall be reduced.”

7. Section 9(g)(i) shall be amended by (i) inserting the phrase “or the term of the option stated in the award agreement, whichever is shorter” immediately before the concluding period thereof and (ii) deleting the phrase “(A) all restricted stock referred to above in Section 5 not yet issued shall be issued as soon as such issuance is permissible under the terms of the Plan and shall be fully vested upon such issuance; and (B)” therefrom.

8. A new Section 29 shall be added as follows:

**“29. Miscellaneous.**

With respect to any provision of this Agreement that provides for reimbursement or in-kind benefits that are subject to Section 409A of the Code, (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any calendar year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (ii) Kramer’s right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit and (iii) the reimbursement of an eligible expense shall be made as soon as practicable after Kramer submits evidence satisfactory to Griffon of the incurrence of such expense, but not later than December 31 of the calendar year following the calendar year in which the expense was incurred.”

