

GRIFFON CORP  
Form DEF 14A  
December 18, 2014

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

SCHEDULE 14A  
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  S

Filed by a Party other than the Registrant  £

Check the appropriate box:

- Preliminary  
Proxy  
Statement
- Confidential,  
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14a-6(e)(2))**
- Definitive  
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Statement
- Definitive  
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Pursuant to  
§240.14a-12

**GRIFFON CORPORATION**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee  
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14a-6(i)(1)  
and 0-11.

(1) Title of each  
class of  
securities to  
which  
transaction  
applies:

(2) Aggregate  
number of  
securities to  
which  
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applies:

(3) Per unit price  
or other  
underlying  
value of  
transaction  
computed  
pursuant to  
Exchange  
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0-11 (set  
forth the  
amount on  
which the  
filing fee is  
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and state  
how it was  
determined):

(4) Proposed  
maximum  
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(5) Total fee  
paid:

£ Fee paid  
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if any part  
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the Form or  
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and the date  
of its filing.

- (1) Amount  
Previously  
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  - (2) Form,  
Schedule or  
Registration  
Statement  
No.:
  
  - (3) Filing Party:
  
  - (4) Date Filed:
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**Notice of Annual Meeting of Stockholders**

**Time and Date:** 9:00 a.m. Eastern Standard Time, on January 29, 2015

**Place:** Dechert LLP, 1095 Avenue of the Americas, New York, New York 10036

**Items of Business:**

1. Election of four directors for a term of three years
2. To conduct an advisory vote on executive compensation
3. Ratification of the selection by our Audit Committee of Grant Thornton LLP to serve as our independent registered public accounting firm for fiscal year 2015
4. Any other matters that properly come before the meeting

**Who may Vote:** You can vote if you were a stockholder at the close of business on December 9, 2014, the record date

**Materials to Review:** This booklet contains our Notice of Annual Meeting and Proxy Statement. You may access this booklet, as well as our 2014 Annual Report to Stockholders and our Annual Report on Form 10-K for the fiscal year ended September 30, 2014, at the following website: <http://www.astproxyportal.com/ast/03170>

**About Proxy Voting:** Your vote is important. Proxy voting permits stockholders unable to attend the Annual Meeting to vote their shares through a proxy. Most stockholders are unable to attend the Annual Meeting. By appointing a proxy, your shares will be represented and voted in accordance with your instructions. You can vote your shares by completing and returning your proxy card. Proxy cards that are signed and returned but do not include voting instructions will be voted by the proxies as recommended by the Board of Directors. Most stockholders can also vote shares by following the Internet or telephone voting instructions provided on the proxy card. You can change your voting instructions or revoke your proxy at any time prior to the Annual Meeting by following the instructions included in this proxy statement and on the proxy card.

*This proxy statement is dated December 18, 2014  
and is being mailed with the form of proxy on or shortly after December 18, 2014.*

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**INTERNET AVAILABILITY OF PROXY MATERIALS**

In accordance with rules of the U.S. Securities and Exchange Commission, we are using the Internet as our primary means of furnishing proxy materials to stockholders. Because we are using the Internet, most stockholders will not receive paper copies of our proxy materials. We will instead send these stockholders a Notice of Internet Availability of Proxy Materials with instructions for accessing the proxy materials, including our proxy statement and annual report, and voting via the Internet. The Notice of Internet Availability of Proxy Materials also provides information on how stockholders may obtain paper copies of our proxy materials if they so choose.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on Thursday, January 29, 2015 at 9:00 a.m. at 1095 Avenue of the Americas, New York, NY 10036. The Company's Proxy Statement, 2014 Annual Report on Form 10-K and Annual Report to Stockholders will be available online at <http://www.astproxyportal.com/ast/03170>.**

By Order of the Board of Directors

Seth L. Kaplan  
Senior Vice President, General Counsel  
and Secretary

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## ABOUT THE MEETING

### *Why did I receive these proxy materials?*

Beginning on or shortly after December 18, 2014, this Proxy Statement is being mailed to stockholders who were stockholders as of the December 9, 2014 record date, as part of the Board of Directors' solicitation of proxies for Griffon's Annual Meeting and any postponements or adjournments thereof. This Proxy Statement and Griffon's 2014 Annual Report to Stockholders and Annual Report on Form 10-K (which have been made available to stockholders eligible to vote at the Annual Meeting) contain information that the Board of Directors believes offers an informed view of Griffon Corporation (referred to as Griffon, the Company, we or us) and meets the regulations of the Securities and Exchange Commission (the SEC) for proxy solicitations. Our management prepared this proxy statement for the Board of Directors.

### *What is the Notice of Internet Availability of Proxy Materials that I received in the mail instead of a full set of proxy materials?*

As in past years, we are pleased to be using the SEC rule that allows companies to furnish their proxy materials over the Internet, instead of mailing printed copies of those materials to all stockholders. Consequently, most stockholders will not receive paper copies of our proxy materials. These stockholders will instead receive a Notice of Internet Availability of Proxy Materials with instructions for accessing our proxy materials, including our proxy statement and 2014 Annual Report, and voting via the Internet. The Notice of Internet Availability of Proxy Materials also contains instructions on how stockholders can obtain a paper copy of our proxy materials if they so choose. We believe this process will expedite stockholders' receipt of proxy materials, lower the costs of our Annual Meeting and conserve natural resources. If you previously elected to receive our proxy materials electronically, these materials will continue to be sent via email unless you change your election. Stockholders who have elected to receive the proxy materials electronically will be receiving an email on or about December 18, 2014 with information on how to access stockholder information and instructions for voting.

### *What is being considered at the meeting?*

You will be voting on the following matters:

1. The election of four directors for a term of three years
2. To conduct an advisory vote on executive compensation
3. The ratification of the selection by our Audit Committee of Grant Thornton LLP to serve as our independent registered public accounting firm for fiscal year 2015

We do not expect you to vote on any other matters at the meeting.

### *Who is entitled to vote at the meeting?*

You are entitled to vote at the Annual Meeting if you owned stock as of the close of business on December 9, 2014. Each share of stock is entitled to one vote.

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## ***How do I vote?***

### **Voting by Proxy**

For stockholders whose shares are registered in their own names, as an alternative to voting in person at the Annual Meeting, you may vote by proxy via the Internet, by telephone or, for those stockholders who receive a paper proxy card in the mail, by mailing a completed proxy card. For those stockholders who receive a Notice of Internet Availability of Proxy Materials, the Notice of Internet Availability of Proxy Materials provides information on how to access your proxy card, which contains instructions on how to vote via the Internet or by telephone. For those stockholders who receive a paper proxy card, instructions for voting via the Internet or by telephone are set forth on the proxy card; alternatively such stockholders who receive a paper proxy card may vote by mail by signing and returning the mailed proxy card in the prepaid and addressed envelope that is enclosed with the proxy materials. In each case, your shares will be voted at the Annual Meeting in the manner you direct.

If your shares are registered in the name of a bank or brokerage firm (your record holder), you may also submit your voting instructions over the Internet or by telephone by following the instructions provided by your record holder in the Notice of Internet Availability of Proxy Materials. If you received printed copies of the proxy materials, you can submit voting instructions by telephone or mail by following the instructions provided by your record holder on the enclosed voting instructions card. Those who elect to vote by mail should complete and return the voting instructions card in the prepaid and addressed envelope provided.

### **Voting at the Meeting**

If your shares are registered in your own name, you have the right to vote in person at the Annual Meeting by using the ballot provided at the Annual Meeting, or if you requested and received printed copies of the proxy materials by mail, you can complete, sign and date the proxy card enclosed with the proxy materials you received and submit it at the Annual Meeting. If you hold shares through a bank or brokerage firm and wish to be able to vote in person at the Annual Meeting, you must obtain a legal proxy from your brokerage firm, bank or other holder of record and present it to the inspector of elections with your ballot at the Annual Meeting. Even if you plan to attend the Annual Meeting, we recommend that you submit your proxy or voting instructions in advance of the meeting as described above so that your vote will be counted if you later decide not to attend the Annual Meeting. Submitting your proxy or voting instructions in advance of the meeting will not affect your right to vote in person should you decide to attend the Annual Meeting.

### ***Can I change my mind after I return my proxy?***

Yes, you may change your mind at any time before the vote is taken at the meeting. You may revoke or change a previously delivered proxy at any time before the Annual Meeting by delivering another proxy with a later date, by voting again via the Internet or by telephone, or by delivering written notice of revocation of your proxy to Griffon's Secretary at our principal executive offices before the beginning of the Annual Meeting. You may also revoke your proxy by attending the Annual Meeting and voting in person, although attendance at the Annual Meeting will not, in and of itself, revoke a valid proxy that was previously delivered. If you hold shares through a bank or brokerage firm, you must contact that bank or brokerage firm to revoke any prior voting instructions. You also may revoke any prior voting instructions by voting in person at the Annual Meeting if you obtain a legal proxy as described above.



***What if I return my proxy card but do not include voting instructions?***

Proxies that are signed and returned but do not include voting instructions will be voted **FOR** the election of the nominee directors, **FOR** the approval, on an advisory basis, of the compensation of Griffon's named executive officers as presented in this Proxy Statement and **FOR** the ratification of Grant Thornton LLP to serve as our independent registered public accounting firm and in the discretion of the proxy holders as to any other matters that may properly come before the Annual Meeting or any postponement or adjournment of the Annual Meeting.

***What does it mean if I receive more than one notice or proxy card?***

It means that you have multiple accounts with brokers and/or our transfer agent. Please vote all of these shares. We recommend that you contact your broker and/or our transfer agent to consolidate as many accounts as possible under the same name and address. Our transfer agent is American Stock Transfer & Trust Company, LLC (AST) and its telephone number is 718-921-8200.

***I share an address with another stockholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?***

We have adopted a procedure called householding, which the SEC has approved. Under this procedure, we are delivering a single copy of the Notice of Internet Availability of Proxy Materials and, if applicable, this Proxy Statement and our 2014 Annual Report, to multiple stockholders who share the same address unless we have received contrary instructions from one or more of the stockholders. This procedure reduces our printing costs, mailing costs and fees. Stockholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or oral request, we will deliver promptly a separate copy of the Notice of Internet Availability of Proxy Materials and, if applicable, this Proxy Statement and our 2014 Annual Report to any stockholder at a shared address to which we delivered a single copy of any of these documents. To receive a separate copy of the Notice of Internet Availability of Proxy Materials and, if applicable, this Proxy Statement or our 2014 Annual Report, stockholders may write or call our transfer agent at the following address and telephone number:

American Stock Transfer and Trust Company  
Proxy Fulfillment Services  
6201 15th Avenue, Brooklyn, NY 11219  
888-776-9962

Stockholders who are the beneficial owner, but not the record holder, of shares of Griffon Stock may contact their brokerage firm, bank, broker-dealer or other similar organization to request information about householding.

***Will my shares be voted if I do not provide my proxy?***

If you hold your shares directly in your own name, they will not be voted if you do not provide a proxy.

Your shares may be voted under certain circumstances if they are held in the name of a brokerage firm. Brokerage firms generally have the authority to vote customers' unvoted shares on certain routine matters, including the ratification of accountants. At our meeting, these shares will be counted as voted by the brokerage firm in the ratification of accountants.

Brokers are prohibited from exercising discretionary authority on non-routine matters. Proposals one and two are considered non-routine matters, and therefore brokers cannot exercise discretionary authority regarding these proposals for beneficial owners who have not returned proxies to the brokers (so-called "broker non-votes"). In the case of broker non-votes, and in cases where you abstain from voting on a matter when present at the meeting and entitled to vote, those shares will still be counted for purposes of determining if a quorum is present.

***How are shares in the Griffon Corporation Employee Stock Ownership Plan Voted?***

If you are a participant in the Griffon Corporation Employee Stock Ownership Plan ( "ESOP" ), you may vote the shares you own through the ESOP via the Internet, by telephone or, if you receive a paper proxy card in the mail, by mailing a completed proxy card. Shares owned by participants through the ESOP may NOT be voted in person at the Annual Meeting.

AST will tabulate the votes of participants in the ESOP. The results of the votes received from the ESOP participants will serve as voting instructions to Wells Fargo Bank, N.A., the trustee of the ESOP. The trustee will vote the shares as instructed by the ESOP participants. If a participant does not provide voting instructions, the trustee will vote the shares allocated to the participant's ESOP account in the same manner and proportions as those votes cast by other participants submitting timely voting instructions. The trustee will also vote the unallocated shares in the ESOP in the same manner and proportions as those votes cast by participants submitting timely voting instructions. AST will keep how you vote your shares confidential.

***How many votes must be present to hold the meeting?***

Your shares are counted as present at the meeting if you attend the meeting and vote in person, if you properly submit your proxy or if your shares are registered in the name of a bank or brokerage firm and you do not provide voting instructions and such bank or broker casts a vote on the ratification of accountants. In order for us to conduct our meeting, the holders of a majority of our outstanding shares of common stock as of December 9, 2014 must be present at the meeting. This is referred to as a quorum. On December 9, 2014, there were 52,716,487 shares of common stock outstanding and entitled to vote.

***What vote is required to elect directors?***

Directors are elected by a plurality of the votes cast. Shares not voted on the election of directors will have no effect on the vote for election of directors.

***What vote is required to approve the advisory vote on executive compensation?***

Approval of the advisory vote on executive compensation requires the favorable vote of a majority of the shares present in person or by proxy and entitled to vote on the matter at the Annual Meeting once a quorum is present. Because this vote is advisory, it will not be binding on the Board or the Company. However, the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation.

*What vote is required to ratify the selection by our Audit Committee of Grant Thornton LLP as our independent registered public accounting firm?*

The affirmative vote of the holders of a majority of the shares present in person or by proxy and entitled to vote on the item will be required for approval. An abstention will be counted as a vote against this proposal.

**PROPOSAL 1 ELECTION OF DIRECTORS**

Our certificate of incorporation provides for a Board of Directors consisting of not less than twelve nor more than fourteen directors, classified into three classes as nearly equal in number as possible, with no class containing less than four directors, whose terms of office expire in successive years. Our Board of Directors now consists of twelve directors as set forth below.

<b>Class II</b>	<b>Class III</b>	<b>Class I</b>
<b>(To Serve Until the Annual Meeting of Stockholders in 2015)</b>	<b>(To Serve Until the Annual Meeting of Stockholders in 2016)</b>	<b>(To Serve Until the Annual Meeting of Stockholders in 2017)</b>
Harvey R. Blau(1)	Henry A. Alpert(2)	Rear Admiral Robert G. Harrison (USN Ret.)(2)
Bradley J. Gross(1)	Blaine V. Fogg(2)(3)	Ronald J. Kramer(1)
General Donald J. Kutyna (USAF Ret.)(3)	William H. Waldorf(4)	General Victor Eugene Renuart (USAF Ret.)(1)
Kevin F. Sullivan(1)(4)	Joseph J. Whalen(4)	Martin S. Sussman(3)(4)

- (1) Member of Finance Committee.
- (2) Member of Compensation Committee.
- (3) Member of Nominating and Corporate Governance Committee.
- (4) Member of Audit Committee.

Harvey R. Blau, Bradley J. Gross, General Donald J. Kutyna (USAF Ret.) and Kevin F. Sullivan are nominated for election at this Annual Meeting of stockholders, as directors in Class II, to hold office until the annual meeting of stockholders in 2018, or until their successors are chosen and qualified.

Unless you indicate otherwise, shares represented by executed proxies in the form enclosed will be voted for the election as directors of each nominee unless any such nominee shall be unavailable, in which case such shares will be voted for a substitute nominee designated by the Board of Directors. We have no reason to believe that any of the nominees for election at this Annual Meeting of stockholders will be unavailable or, if elected, will decline to serve. Each nominee is currently a director on our Board.

**Agreement with Investors**

On September 29, 2008, GS Direct, L.L.C. ( GS Direct ), an affiliate of Goldman, Sachs & Co. ( Goldman Sachs ), acquired 10,000,000 shares of Griffon common stock in connection with a common stock rights offering by Griffon. GS Direct acquired these shares pursuant to an agreement entered into on August 7, 2008 with Griffon (the Investment Agreement ) in which GS Direct made certain commitments to purchase Griffon common stock in connection with the rights offering. On December 10, 2013 Griffon repurchased 4,444,444 shares of common stock from GS Direct for an aggregate amount of \$50 million, or a price of \$11.25 per share. As of November 30, 2014, GS Direct, together with certain of its affiliates, held 5,819,775 shares of Griffon common stock, which equals approximately 11.0% of Griffon s outstanding common stock.

The Investment Agreement provides that, based on GS Direct s current approximate 11.0% ownership of Griffon s common stock, GS Direct has the right to nominate one person to serve on Griffon s Board of Directors, subject to the reasonable review and approval of our Nominating and



Corporate Governance Committee. Bradley J. Gross has served on Griffon's Board of Directors since September 2008 as a designee of GS Direct. At such time as GS Direct's ownership level drops below 10% of our outstanding common stock, GS Direct will no longer have the right to nominate any persons to serve on our Board. See "Certain Relationships and Related Person Transactions" for a more complete description of the terms of the Investment Agreement and a description of other relationships and transactions between Griffon and GS Direct.

## **Board Composition**

We believe that each of our directors should demonstrate, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the Board's supervision and oversight of the business and affairs of Griffon. We consider the following when selecting candidates for recommendation to our Board: character and business judgment; broad business knowledge; leadership, financial and industry-specific experience and expertise; technology and education experience; professional relationships; diversity; personal and professional integrity; time availability in light of other commitments; dedication; and such other factors that we consider appropriate, from time to time, in the context of the needs or stated requirements of the Board. The directors' experiences, qualifications and skills that the Board considered in their nomination are included in their individual biographies.

### **Nominee Biographies** (ages as of January 1, 2015)

**Mr. Harvey R. Blau** (age 79) has been Chairman of the Board since 1983 and was our Chief Executive Officer from 1983 through March 2008. Mr. Blau was Chairman of the Board and Chief Executive Officer of Aeroflex Incorporated (formerly NYSE:ARX), a diversified manufacturer of electronic components and test equipment, for more than five years through August 2007 when such company was acquired. Because of his long service with the Company, including as the Company's Chief Executive Officer for over twenty-five years, Mr. Blau brings to the Board a depth of knowledge of the Company, its history and its personnel. Mr. Blau's legal training also assists the Board in evaluating issues that come before it. Mr. Blau is the father-in-law of Ronald J. Kramer, Griffon's Chief Executive Officer.

**Mr. Bradley J. Gross** (age 42) has been a director since September 2008. Mr. Gross is a Managing Director in the Principal Investment Area of Goldman Sachs, a position he has held since 2007. From 2003 to 2007, he was a vice president at Goldman Sachs. Mr. Gross also serves on the board of directors of Americold Realty Trust, the largest provider of temperature controlled storage and logistics in the United States, Interline Brands, Inc., a leading distributor of maintenance, repair and operations products, and various other private companies in which Goldman Sachs is an investor. Mr. Gross formerly served on the Board of Aeroflex Incorporated (formerly NYSE:ARX), a leading worldwide provider of highly specialized test and measurement equipment and microelectronic solutions, Capmark Financial Group Inc. (OTC:CPMK), a diversified holding company that provides financial services to investors in commercial real estate-related assets, Cequel Communications LLC, a provider of cable television services in certain U.S. territories serving 1.3 million basic subscribers, and MoneyGram International, Inc. (NASDAQ:MGI), a provider of financial products and services, as well as various other private companies in which Goldman Sachs is an investor. Mr. Gross is a designee of GS Direct, an affiliate of Goldman Sachs. His service on a variety of corporate boards and his experience in evaluating different potential investments and acquisitions and in related financings allow him to assist the Board in assessing financing and acquisition activities from a financial point of view.

**General Donald J. Kutyna** (USAF Ret.) (age 81) has been a director since August 2005. He was an officer in the United States Air Force for over thirty-five years prior to his retirement in 1992. General Kutyna had been commander in chief of the North American Aerospace Defense Command, commander in chief of the U.S. Space Command and commander of the U.S. Air Force Space Command. During his tenure in the U.S. Air Force, General Kutyna served as Chairperson of the Accident Analysis Panel of the Presidential Commission on the Space Shuttle Challenger Accident. General Kutyna was Vice President, Space Technology, of Loral Space & Communications Ltd. (NASDAQ:LORL), a leading satellite communications company, from 1993 to 1996, and again from 1999 to 2004. He also served as Vice President, Advanced Space Systems, for Lockheed Martin Corporation (NYSE:LMT), a company principally engaged in the research, design, development, manufacture and integration of advanced technology systems, products and services, from 1996 to 1999. From September 2004 through 2008, General Kutyna served as a part-time consultant to Loral Space & Communications Ltd. As a Four Star Air Force officer with thirty five years experience in the development, acquisition and operation of high technology space, electronic, communication, and aeronautical defense systems, General Kutyna brings to the Board important perspectives in connection with the Company's defense business. General Kutyna's experience as a technology leader of a Presidential Commission and as a corporate officer in the defense industry makes him a valuable resource to the Board in the area of government policy and procurement.

**Mr. Kevin F. Sullivan** (age 61) has been a director since January 2013. Mr. Sullivan is currently a consultant to MidOcean Credit Partners, a private investment firm that specializes in U.S. hedge fund investments, a position he has held since February 2013. Mr. Sullivan was a Managing Director with Deutsche Bank, and a predecessor bank, Bankers Trust, from 1990 until his retirement in November 2012, and began with Bankers Trust in 1980. Mr. Sullivan held positions of increasing responsibility over his thirty-two years at Deutsche Bank and Bankers Trust, including Group Head for Loan Sales, Trading and Capital Markets; Head of Leveraged Finance Asia; and last serving as Group Head for Asset Based Lending. He was a member of the Capital Commitments Committee from 2002 to 2012 and a member of the Equity Investments Committee from 2008 to 2012.

#### **Standing Director Biographies** (ages as of January 1, 2015)

**Mr. Henry A. Alpert** (age 67) has been a director since 1995. Mr. Alpert has been President of Spartan Petroleum Corp., a real estate investment firm and a distributor of petroleum products, for more than the past five years. Mr. Alpert is also a director of Boyar Value Fund, a mutual fund (NASDAQ:BOYAX). Mr. Alpert brings to the Board an understanding of the perspectives of public mutual fund stockholders, experience in operations and, by virtue of being on the advisory committee of the largest commercial bank headquartered on Long Island, insight into commercial banking trends.

**Mr. Blaine V. Fogg** (age 74) has been a director since May 2005. Mr. Fogg is a corporate and securities lawyer concentrating in mergers and acquisitions and other business transactions. From 1972 to 2004, Mr. Fogg was a partner at the law firm of Skadden, Arps, Slate, Meagher & Flom LLP. Since 2004, Mr. Fogg has been Of Counsel to such law firm. Since July 1, 2009, Mr. Fogg has been President of The Legal Aid Society of New York. From September 2010 to January 2013, he was a Director of Seacor Holdings Inc. (NYSE:CKH), a global provider of marine transportation equipment and logistics services primarily servicing the U.S. and international energy and agricultural markets (Seacor). In January 2013, in connection with the spin-off of Era Group, Inc. (NYSE:ERA) from Seacor, Mr. Fogg resigned from the Board of Seacor and joined the Board of Era Group, one of the largest helicopter operators in the world and the longest serving helicopter transport operator in the U.S. Mr. Fogg has represented numerous public

and private companies in connection with governance matters as well as transactions and brings to the Board broad experience in assisting boards of public and private companies in these matters.

**Rear Admiral Robert G. Harrison** (*USN Ret.*) (age 78) has been a director since February 2004. He was an officer in the United States Navy for more than thirty-five years prior to his retirement in 1994. Since retirement, Rear Admiral Harrison has been a consultant for various defense systems companies in the areas of acquisition, support and program management. Rear Admiral Harrison is also a director for Indra Systems, a company engaged in the manufacture and support of training and simulation systems and automatic test equipment. By virtue of his services as a senior officer in the U.S. Navy and his service as a director of and consultant to other companies, Rear Admiral Harrison brings to the Board extensive experience in the management of large organizations and the approaches and perspectives involved in military procurement.

**Mr. Ronald J. Kramer** (age 56) has been our Chief Executive Officer since April 2008, a director since 1993, Vice Chairman of the Board since November 2003, and was our President from February 2009 to December 2012. From 2002 through March 2008, he was President and a director of Wynn Resorts, Ltd., a developer, owner and operator of destination casino resorts. From 1999 to 2001, Mr. Kramer was a Managing Director at Dresdner Kleinwort Wasserstein, an investment banking firm, and its predecessor Wasserstein Perella & Co. He was formerly a member of the Board of Directors of Leap Wireless International, Inc. (formerly NASDAQ:LEAP), Monster Worldwide, Inc. (NYSE:MWW) and Sapphire Industrials Corporation (formerly AMEX:FYR). Mr. Kramer has been a senior executive officer of a number of corporations, including currently Griffon, and brings to the Board extensive experience in all aspects of finance and business transactions. Mr. Kramer is the son-in-law of Harvey R. Blau, Griffon's Chairman of the Board.

**General Victor Eugene Renuart** (*USAF Ret.*) (age 65) has been a director since January 2014. He was an officer in the United States Air Force for over thirty-nine years prior to his retirement in 2010. General Renuart's military service culminated with his service as Commander, North American Aerospace Defense Command and United States Northern Command from 2007-2010. During his tenure in the U.S. Air Force, General Renuart served as Senior Military Assistant to the Secretary of Defense for Secretaries Donald Rumsfeld and Robert Gates; Director of Strategic Plans and Policy, The Joint Staff; Vice Commander, Pacific Air Forces; and Director of Operations, United States Central Command. From 2010 to 2012, General Renuart served as Vice President, National Security and Senior Military Advisor to the CEO for BAE Systems, Inc. Since 2012, General Renuart has been President of The Renuart Group, LLC, a defense, homeland security, energy, and leadership consulting firm. General Renuart serves as the Chairman of the Board of the National Homeland Defense Foundation, and as National Chairman of the Advisory Board on Services to the Armed Forces, American Red Cross. As the former Chief Executive and Operating Officer for large military organizations with responsibility for an annual multi-billion dollar budget, General Renuart brings to the Board experience in the management and fiscal oversight of large organizations. His experience as a senior military officer also provides him with experience and insight regarding government policy and procurement.

**Mr. Martin S. Sussman** (age 77) has been a director since 1989. He has been a practicing attorney in the State of New York since 1961, and has been a member of the law firm of Seltzer, Sussman, Habermann & Heitner, LLP for more than the past five years. As a practicing attorney for over fifty years, Mr. Sussman brings to the Board broad experience and insight in various aspects of business law applicable to the Company.



*Mr. William H. Waldorf* (age 76) has been a director since 1963. He has been President of Landmark Capital, LLC, an investment firm, for more than the past five years. Mr. Waldorf's extensive financial and investment experience as an active entrepreneur and President of an investment company for over thirty years brings to the Board the analytical framework of a long-term investor.

*Mr. Joseph J. Whalen* (age 82) has been a director since 1999. Mr. Whalen is a CPA and was a partner at Arthur Andersen LLP for more than five years prior to his retirement in 1994. Mr. Whalen has extensive financial and accounting experience as a partner of a former international accounting firm for over twenty years. As the Company's Audit Committee Financial Expert, Mr. Whalen brings to the Board and the Audit Committee an in-depth understanding of the financial reporting, auditing and accounting issues that come before the Board and the Audit Committee.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE  
FOR ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR**

## CORPORATE GOVERNANCE

### Director Independence

The Board of Directors has determined that each of Messrs. Alpert, Gross, Fogg, Harrison, Kutyna, Renuart, Sullivan, Sussman, Waldorf and Whalen are independent under New York Stock Exchange Rule 303A. The Board of Directors affirmatively determined that no director (other than Ronald J. Kramer and Harvey R. Blau) has a material relationship with the Company, either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company.

In making this determination, the Board considered all relevant facts and circumstances. In particular, with respect to Mr. Gross, the Board considered, among other things, that Mr. Gross holds a senior management position with GS Direct, and considered the relationships and transactions between Griffon and GS Direct, which are described above under Election of Directors Agreement with Investors and below under Certain Relationships and Related Person Transactions. In concluding that these relationships and transactions do not result in a material relationship between Griffon and GS Direct that would impede the exercise of independent judgment by Mr. Gross, the Board considered, among other things, that GS Direct's rights and obligations arise directly as a result of its Griffon stock ownership (as disclosed in more detail below under Certain Relationships and Related Person Transactions), and that the fees and expenses paid to affiliates of GS Direct in connection with certain services performed by these affiliates in the last three years were not material to GS Direct and its affiliates or to Griffon.

We currently have the following standing committees: the Audit Committee, the Compensation Committee, the Finance Committee and the Nominating and Corporate Governance Committee. Other than the Finance Committee, all of the standing committees of the Board of Directors are composed entirely of independent directors.

### Committee Membership, Meetings and Attendance

During the fiscal year ended September 30, 2014, there were:

- five meetings of the Board of Directors (the Board acted once by unanimous consent);
- four meetings of the Audit Committee;
- eight meetings of the Compensation Committee;
- two meetings of the Nominating and Corporate Governance Committee; and
- two meetings of the Finance Committee.

Each of our directors attended or participated in at least 75% of the meetings of the Board of Directors, and of the respective committees of which he is a member, held during the period such director was a director during the fiscal year ended September 30, 2014.

We encourage all of our directors to attend our annual meetings of stockholders. All of our directors attended last year's annual meeting of stockholders.

### Board Committees

We have a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (the Exchange Act). Our Audit Committee is involved in discussions with management and our independent registered public accounting firm with respect to financial reporting and our internal accounting controls. The Audit Committee has the sole



authority and responsibility to select, evaluate and replace our independent registered public accounting firm. The Audit Committee must pre-approve all audit engagement fees and terms and all non-audit engagements with the independent registered public accounting firm. The Audit Committee is responsible for monitoring compliance with our Code of Business Conduct and Ethics. The Audit Committee consults with management but does not delegate these responsibilities. A copy of the Audit Committee charter can be found on our website at [www.griffoncorp.com](http://www.griffoncorp.com).

The Board has determined that Joseph J. Whalen, a member of the Audit Committee since 1999, qualifies as an Audit Committee Financial Expert, as defined by SEC rules, based on his education, experience and background.

Our Compensation Committee has overall responsibility for determining and approving the compensation of our Chief Executive Officer and reviewing and approving the annual base salaries and annual incentive opportunities paid to our executive officers, as well as to the Presidents of each of our business units. Our Compensation Committee awards restricted stock and other equity-based awards to officers and employees. The Compensation Committee may form and delegate authority to subcommittees as it deems appropriate. The Compensation Committee considers recommendations from our executive officers with respect to executive compensation matters. From time to time, the Company utilizes the services of independent consultants to perform analyses and to make recommendations relative to executive compensation matters. These analyses and recommendations are conveyed to the Compensation Committee, and the Compensation Committee takes such information into consideration in making its compensation decisions. A copy of the Compensation Committee charter can be found on our website at [www.griffoncorp.com](http://www.griffoncorp.com).

The Finance Committee is responsible for the review of certain proposed acquisition, disposition and equity capital markets transactions, following which it shall make a non-binding recommendation to the full Board of Directors. Under the terms of the Investment Agreement, GS Direct is entitled to designate one of the five members of the finance committee so long as it holds 10% or more of Griffon's total common equity. Accordingly, Mr. Gross has served as a member of the Finance Committee as a designee of GS Direct since September 2008. A copy of the Finance Committee Charter can be found on our website at [www.griffoncorp.com](http://www.griffoncorp.com). See Certain Relationships and Related Person Transactions for a more complete description of the terms of the Investment Agreement.

The Nominating and Corporate Governance Committee is responsible for (1) reviewing suggestions of candidates for director made by directors and others; (2) identifying individuals qualified to become Board members, and recommending to the Board the director nominees for the next annual meeting of stockholders; (3) recommending to the Board director nominees for each committee of the Board; (4) recommending to the Board the corporate governance principles applicable to the Company; and (5) overseeing the annual evaluation of the Board and management. There is no difference in the manner in which a nominee is evaluated based on whether the nominee is recommended by a stockholder or otherwise. The Nominating and Corporate Governance Committee has nominated the directors to be elected at this meeting. A copy of the Nominating and Corporate Governance Committee charter can be found on our website at [www.griffoncorp.com](http://www.griffoncorp.com).

The Nominating and Corporate Governance Committee does not have a formal policy with regard to consideration of diversity in identifying director nominees. Our corporate governance guidelines specify that our Board should be of a sufficient size to provide for sufficient diversity among non-employee directors. The Nominating and Corporate Governance Committee may consider diversity, which could

include diversity with respect to experience, skill set, age, areas of expertise and professional background, as well as race, gender and national origins, along with many other criteria, in selecting director nominees.

### **Risk Oversight**

Management is responsible for the day-to-day management of risks for Griffon and its subsidiaries, while our Board of Directors, as a whole and through its committees, is responsible for the oversight of risk management. The Board sets our overall risk management strategy and our risk appetite and ensures the implementation of our risk management framework. Specific board committees are responsible for overseeing specific types of risk. Our Audit Committee periodically discusses risks as they relate to its review of the Company's financial statements, the evaluation of the effectiveness of internal control over financial reporting, compliance with legal and regulatory requirements including the Sarbanes-Oxley Act, performance of the internal audit function, and review of related party transactions, among other responsibilities set forth in the Audit Committee's charter. The Audit Committee also periodically reviews our currency exchange and hedging policies, tax exposures and our internal processes to ensure compliance with applicable laws and regulations. Our Audit Committee oversees the response of management to reports regarding suspected violations of our Code of Conduct. The Audit Committee meets regularly in executive sessions with our director of internal audit and our independent registered public accounting firm, without management present, to discuss if there are areas of concern of which the Committee or the Board should be aware. The Board, and at certain times, the Finance Committee, monitors risks as they may be related to financing matters such as acquisitions and dispositions, our capital structure, credit facilities, equity and debt issuances, and liquidity. Our Compensation Committee establishes our compensation policies and programs in such a manner that our executives are not incentivized to take on an inappropriate level of risk. Each of our board committees delivers periodic reports to the Board, in order to keep the Board informed about what transpires at committee meetings. In addition, if a particular risk is material or where otherwise appropriate, the full Board may assume oversight over such risk, even if the risk was initially overseen by a committee.

### **Board Leadership Structure; Executive Sessions**

Although we do not require separation of the offices of the Chairman of the Board and Chief Executive Officer, we currently have a different person serving in each such role. Mr. Harvey R. Blau is our Chairman, and Mr. Ronald J. Kramer is our Chief Executive Officer. The decision whether to combine or separate these positions depends on what our Board of Directors deems to be in the long-term interest of stockholders in light of prevailing circumstances. Our Board of Directors believes the Company is well-served by this flexible leadership structure and that the combination or separation of these positions should continue to be considered on an ongoing basis. As noted earlier, each of our other ten directors are independent. We also have a lead independent director. Mr. Martin S. Sussman has been selected as the lead independent director through January 2015. We believe that a lead independent director helps ensure independent oversight over the Company. The lead independent director's duties and responsibilities include, among others:

- Presiding at meetings of the Board in which the Chairman is not present, including executive sessions of the independent directors

- Serving as a liaison between the Chairman and the independent directors

- Together with the Chairman, establishing the agenda for meetings of the Board

Overseeing the flow of information to the Board, and coordinating with the independent directors to ensure that they have access to information they request from time to time

Overseeing the board and committee annual self-evaluation process

Collaboration with the nominating and corporate governance committee in monitoring the composition and structure of the board

### **Interested Party Communications**

Mail from stockholders and other interested parties can be addressed to Directors in care of the Office of the Secretary, Griffon Corporation, 712 Fifth Avenue, New York, New York 10019. At the direction of the Board of Directors, all mail received will be opened and screened for security purposes. The mail will then be logged in. All mail, other than trivial or obscene items, will be forwarded. Mail addressed to a particular Director will be forwarded or delivered to that Director. Mail addressed to Outside Directors, Independent Directors, Non-Employee Directors or Non-Management Directors will be forwarded or delivered to each such director. Mail addressed to the Board of Directors will be forwarded or delivered to the Chairman of the Board.

### **Guidelines for Business Conduct and Governance Guidelines**

Our Board of Directors has adopted a Code of Ethics for the Chairman and Chief Executive Officer and senior financial officers of Griffon Corporation. Our Board of Directors has also adopted a Code of Business Conduct and Ethics applicable to all employees in performing their duties. The Code of Business Conduct and Ethics sets forth information and procedures for employees to report ethical or accounting concerns, misconduct or violations of the Code in a confidential manner. The Code of Ethics and Code of Business Conduct and Ethics may be found on our website at [www.griffoncorp.com](http://www.griffoncorp.com).

Our Board of Directors has also adopted Corporate Governance Guidelines as required by the New York Stock Exchange rules to assist the Board in exercising its responsibilities to Griffon and its stockholders. The Corporate Governance Guidelines may be found on our website at [www.griffoncorp.com](http://www.griffoncorp.com).

### **Board Self-Evaluation**

The Board is required to conduct an annual self-evaluation that is overseen by our Nominating and Corporate Governance Committee to determine whether the Board and its committees are functioning effectively. In addition, each of the Audit, Compensation, and Nominating and Corporate Governance committees is required to conduct an annual self-evaluation and all committees of the Board are required to review and reassess the adequacy of their charters. The Audit Committee is subject to an annual performance evaluation by the Board of Directors.

### **Directors Nominations**

Any stockholder who wants to nominate a candidate for election to the Board must deliver timely notice to our Secretary at our principal executive offices. In order to be timely, the notice must be delivered:

in the case of an annual meeting, not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders, although if the annual meeting is called for a date that is not within 25 days before or after the anniversary date of the prior year's annual meeting, the notice must be received

not later than the close of business on the 10th day following the first to occur of the day on which notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made; and in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the 10th day following the first to occur of the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made.

The stockholder's notice to the Secretary must set forth

as to each  
person  
whom the  
stockholder  
proposes to  
nominate for  
election as a  
director

the nominee's name, age, business address and residence address

the nominee's principal occupation and employment

the class and series and number of shares of each class and series of capital stock of Griffon which are owned beneficially or of record by the nominee, and any other direct or indirect pecuniary or economic interest in any capital stock of Griffon held by the nominee, including without limitation, any derivative instrument, swap (including total return swaps), option, warrant, short interest, hedge or profit sharing arrangement, and the length of time that such interests have been held by the nominee

any other information relating to the nominee that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder

as to the stockholder giving the notice

the stockholder's name and record address

the class and series and number of shares of each class and series of capital stock of the Company which are owned beneficially or of record by the stockholder, and any other direct or indirect pecuniary or economic interest in any capital stock of Griffon held by the stockholder, including without limitation, any derivative instrument, swap (including total return swaps), option, warrant, short interest, hedge or profit sharing arrangement, and the length of time that such interests have been held by the stockholder

a description of all arrangements or understandings between the stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by the stockholder

a representation by the stockholder that the stockholder is a holder of record of stock of the Company entitled to vote at such meeting and that the stockholder intends to appear in person or by proxy at the meeting to nominate the person or persons named in the stockholder's notice, and

any other information relating to the stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder.

A stockholder providing notice of any nomination proposed to be made at an annual meeting or special meeting shall further be required, for such notice of nomination to be proper, to update and supplement the notice, if necessary, so that the information provided or required to be provided in the notice is true and correct as of the record date for the meeting, and such update and supplement must be delivered to or mailed and received at Griffon's principal executive offices not later than five business days after the record date for the meeting.

The notice delivered by a stockholder must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected. The stockholder must be a stockholder of record on the date on which the stockholder gives the notice described above and on the record date for the determination of stockholders entitled to vote at the meeting.

### **Compensation Committee Interlocks and Insider Participation**

The members of our Compensation Committee are Henry A. Alpert, Blaine V. Fogg and Rear Admiral Robert G. Harrison (USN Ret.). None of the members of the Committee were our officers or employees during fiscal year 2014 and none has ever been an officer of the Company. None of our executive officers serves on the board of directors or compensation committee of a company that has an executive officer that serves on our board of directors or Compensation Committee.



**STOCK OWNERSHIP**

The following information, including stock ownership, is submitted with respect to our directors, each executive officer named in the Summary Compensation Table, for all executive officers and directors as a group, and for each holder known to us to be the beneficial owner of more than five percent of our issued and outstanding common stock as of November 30, 2014.

<b>Name of Beneficial Owner</b>	<b>Common Stock Beneficially Owned(1)</b>	<b>Percent of Class</b>
Gabelli Funds, LLC(2)	10,139,771	18.7%
The Goldman Sachs Group, Inc. and affiliates(3)(4)	5,819,775	11.0%
Dimensional Fund Advisors LP(5)	4,650,342	8.8%
Blackrock, Inc. and affiliates(6)	4,225,982	8.0%
The Vanguard Group(7)	2,969,273	5.6%
Henry A. Alpert(8)(9)	59,132	*
Harvey R. Blau(8)(10)(11)	2,071,683	3.9%
Blaine V. Fogg(8)	35,013	*
Bradley J. Gross(4)	5,819,775	11.0%
Rear Admiral Robert G. Harrison (USN Ret.)(8)	17,020	*
Seth L. Kaplan(10)	217,767	*
Ronald J. Kramer(10)(12)	2,981,583	5.6%
General Donald J. Kutyna (USAF Ret.)(8)	15,285	*
Robert F. Mehmel(10)	423,803	*
General Victor Eugene Renuart (USAF Ret.)(8)	3,333	*
Kevin F. Sullivan(8)	6,666	*
Martin S. Sussman(8)	43,148	*
William H. Waldorf(8)	33,613	*
Douglas J. Wetmore(10)	326,160	*
Joseph J. Whalen(8)	33,289	*
Directors and executive officers as a group (15 persons)(13)	12,086,378	22.9%

\* Less than 1%.

- (1) Unless otherwise indicated and except as otherwise set forth in the Schedules 13D and 13G referred to in the footnotes below, ownership represents sole voting and investment power.
- (2) The address for Gabelli Funds, LLC and its affiliates is One Corporate Center, Rye, New York 10580-143. The number of shares beneficially owned is based on a Schedule 13D filed with the SEC by Gabelli Funds, LLC and certain of its affiliates on November 18, 2014.
- (3) The address for The Goldman Sachs Group, Inc. ( GS Group ) and its affiliates is 200 West Street, New York, NY 10004. The number of shares beneficially owned is based on a Schedule 13D/A filed with the SEC by Goldman Sachs and certain of its affiliates on November 14, 2014.
- (4) Mr. Gross is a managing director of Goldman Sachs. Goldman Sachs is a wholly-owned subsidiary of GS Group. GS Group and Goldman Sachs may be deemed to beneficially own indirectly, in the aggregate, 5,555,556 shares of Griffon common stock owned directly by GS Direct. GS Direct is a wholly-owned subsidiary of GS Group. Goldman Sachs is the manager of



GS Direct, GS Group, Goldman Sachs, GS Direct and Mr. Gross each disclaim beneficial ownership of these securities except to the extent of its or his pecuniary interest therein, if any. The number of shares listed herein includes 20,420 shares of common stock previously awarded to Mr. Gross, and to a former member of Griffon's Board who was nominated for election to Griffon's Board by GS Direct, in their capacity as directors, pursuant to our director compensation program. The number of shares listed herein also includes 243,799 shares of Griffon common stock acquired by Goldman Sachs or another wholly-owned broker or dealer subsidiary of GS Group in ordinary course trading activities.

- (5) The address for Dimensional Fund Advisors is Palisades West, Building One, 6300 Bee Cave Road, Austin, Texas 78746. The number of shares beneficially owned is based on a Schedule 13G filed with the SEC by Dimensional Fund Advisors LP and certain of its affiliates on February 10, 2014.
- (6) The address for Blackrock, Inc. is 40 East 52nd Street, New York, NY 10022. The number of shares beneficially owned is based on a Schedule 13G filed with the SEC by Blackrock, Inc. and certain of its affiliates on January 29, 2014.
- (7) The address for The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355. The number of shares beneficially owned is based on a Schedule 13G filed with the SEC by The Vanguard Group and certain of its affiliates on February 11, 2014.
- (8) Includes shares of common stock granted pursuant to our director compensation program.
- (9) Includes 36,400 shares of common stock owned by the Spartan Petroleum Profit Sharing Trust of which Mr. Alpert is a co-trustee and a beneficiary.
- (10) Includes for Mr. Kramer 350,000 shares of common stock issuable with respect to options currently exercisable. Also includes (i) for Messrs. Blau, Kramer, Mehmel, Wetmore and Kaplan 58 shares, 965 shares, 219 shares, 749 shares and 633 shares of common stock, respectively, allocated to their accounts under the ESOP as to which they can direct the vote, and (ii) for Messrs. Blau, Kramer, Mehmel, Wetmore and Kaplan, 36,388 shares, 994,334 shares, 373,584 shares, 161,100 shares and 183,391 shares of restricted stock, respectively, as to which they can direct the vote.
- (11) Includes 810,253 shares of common stock owned by Mr. Blau's spouse. Mr. Blau disclaims beneficial interest of such shares of common stock.
- (12) Includes 40,298 shares of common stock owned by Mr. Kramer's wife and children. Mr. Kramer disclaims beneficial ownership of such shares of common stock which are in excess of his pecuniary interest.
- (13) Includes 350,000 shares of common stock issuable with respect to options currently exercisable granted to executive officers.

As of November 30, 2014, there were 5,662,144 shares of common stock held in Griffon's Employee Stock Ownership Plan ( ESOP ), constituting 10.7% of our outstanding common stock. Of these shares, 2,154,857 were allocated to accounts of participants in the ESOP and 3,507,287 were unallocated and held in the ESOP's general suspense account. The shares held in the ESOP are not deemed to be beneficially owned by the ESOP; the ESOP trustee votes the shares held in the ESOP based on voting instructions received from participants in the ESOP. For additional information on the ESOP, see Elements of Executive Compensation—Retirement, Health and Welfare Benefits and Other Perquisites Employee Stock Ownership Plan, in the Compensation Discussion and Analysis section below.

## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

#### Compensation Philosophy and Objectives of Our Compensation Program

Our compensation programs are intended to enable us to attract, motivate, reward and retain the management talent required to achieve operational and corporate objectives, and thereby contribute to the success of the Company with the goal and intention of increasing stockholder value. **A substantial portion of the potential compensation of our senior executives is performance-based and tied to goals that are intended to enhance shareholder value without jeopardizing our financial strength or creating incentives to take excessive risks. A significant portion of the incentive compensation opportunities for our executive officers can only be realized by them on a deferred basis, subjecting the pay that our executives receive to the same risks undertaken by the Company and our shareholders.** It is our policy to provide incentives to senior management to achieve both short-term and long-term objectives and to reward exceptional performance and contributions to the management of our businesses and the execution of the short-term and long-term strategic and financial objectives set by the Company's Board of Directors. Our Compensation Committee utilizes a number of different metrics with which to incentivize management and judge and reward their performance. Our executive compensation program includes four key components:

- competitive base salary
- annual cash incentive bonuses based upon objective and subjective company and individual performance
- equity-based long-term incentive compensation, and
- retirement, health and welfare benefits, and limited perquisites.

We believe that the compensation of our executives should reflect the executives' level of job responsibility and be related to individual and company performance. Because the performance of our executives greatly impacts our results, a significant portion of their compensation should be variable and based on individual and corporate performance. All equity grants to our NEOs since the fall of 2011 have been 100% performance-based, and annual cash bonuses to our CEO, COO and CFO are 100% performance-based. Our approach to compensation relates, in large part, to the fact that our Company is a diversified holding company. As such, our senior corporate management's responsibilities include both managing and assessing the operational results at our principal subsidiaries and businesses, recruiting, developing and supervising management at both the subsidiary and corporate levels and overseeing the following financial activities, among others:

- the maintenance of our strong consolidated balance sheet
- the allocation of our capital and resources
- the assessment and determination of our capital requirements and needs
- our cash and cash equivalent liquidity
- our financing transactions
- the identification of and execution on advantageous acquisition or disposition opportunities
- returning capital to shareholders, including through the ongoing evaluation and execution of opportunities to repurchase our own stock as well as through corporate dividends, and
- the continuing evaluation of all our assets and operations.

In this regard, our senior management is engaged in ongoing analysis of (i) where, when and how our capital resources should be allocated, (ii) whether the current deployment of our capital resources is optimal, and (iii) whether our existing business lines should be expanded or curtailed, or if we ought to further diversify into new business lines or activities.

The Compensation Committee has sought to align these corporate and operational objectives with the compensation programs under which our senior management is remunerated, in a manner consistent with the business direction and strategic plan discussed and approved by the Company's Board of Directors. In this regard, the Compensation Committee, working with its independent compensation consultant, selected working capital and earnings before interest, taxes, depreciation and amortization ( EBITDA ) as bonus performance measures for Griffon's cash bonus plan for fiscal year 2014, reflecting the Board of Directors' mandate and belief that (i) maintaining adequate levels of working capital (as a key indicator of creating and maintaining a strong balance sheet to provide financial strength in general and to withstand the continuing uncertainty that exists in the United States and global economies) and (ii) managing operational results (including maximizing cash generation from operations) contribute to Griffon's continuing financial success while also acting as a check against each other, and therefore as a natural risk management tool, with respect to the management of Griffon's businesses. The Compensation Committee again determined to place a greater relative emphasis on operational achievements than on balance sheet strength due to the belief that operational results has a more immediate impact on shareholder value, and assigned relative weightings of 75% to EBITDA performance and 25% to achievement of applicable working capital targets.

Although the annual advisory shareholder vote on executive compensation is non-binding, the Committee has considered, and will continue to consider, the outcome of this vote each year when making compensation decisions for our Chief Executive Officer and other named executive officers. At our annual meeting of shareholders held on January 30, 2014, approximately 84% of the shareholders who voted for or against on the say-on-pay proposal approved the compensation of our named executive officers. In addition, management and the independent directors of the Company have regular contact with its largest shareholders as part of its normal investor relations activities. These shareholders, with which we have regular contact, represent more than 50% of the shares held by all shareholders other than management, Board members and the Company's Employee Stock Ownership Plan. During these interactions, no adverse commentary has been received pertaining to recent executive compensation decisions or with respect to the structure of our compensation program. The Committee believes that this, coupled together with the 2014 shareholder vote regarding say-on-pay, strongly endorses the compensation philosophy of the Company and the application of that philosophy by the Compensation Committee.

We do not believe that our compensation programs are structured to reward inappropriate risk-taking, and have concluded that our compensation policies and practices are not reasonably likely to result in a material adverse effect on our businesses, for several reasons, including the following:

Under our annual performance bonus plan, we used multiple objective incentive performance measures to determine annual cash bonus eligibility for Messrs. Kramer, Mehmel and Wetmore, which discourages focusing on a single performance measure and incentivizes them to focus on the continuing financial strength of the Company as well as on operating results.

We provide a mix of variable performance-based annual cash compensation (under our annual performance bonus plan), fixed cash compensation in the form of base salaries, and long-term equity compensation in the form of restricted stock awards which are exclusively performance-based. We believe this combination of variable and fixed cash compensation,

and a long-term equity interest, which is performance-based and in other respects vests over time, appropriately incentivizes and rewards management while at the same time encourages appropriate but not excessive levels of risk assumption.

The design of our compensation programs, including with respect to the variety of performance criteria established under our plans, encourages executives to remain focused on both the short-term and long-term success of the Company's operational and consolidated financial position and objectives; as a result, any incentive to take short term risks is mitigated by the necessity for us to achieve success and maintain shareholder value over the long term. In this regard, a portion of compensation is delivered to executives in the form of an annual bonus. In the case of our CEO, President and COO, and Executive Vice President and CFO, the annual bonus is 100% tied to near-term objective performance criteria.

In addition, a significant portion of compensation to our senior executives is delivered through the use of performance-based equity awards, which generally cliff vest after a three year period, provided the applicable performance criteria are achieved. The Compensation Committee believes that these restricted share awards focus our executives on the long-term success of the Company, align their interests with those of our shareholders and, because of the multi-year vesting feature, subject management to the long term consequences of risks undertaken to achieve short term objectives.

We have adopted stock ownership guidelines, which serve to align the interests of our directors and executives with those of our stockholders, and encourage focus on long-term performance.

We have adopted an anti-hedging, anti-pledging policy prohibiting directors and executive officers from purchasing company securities on margin, pledging company securities or entering into a hedging transaction with respect to company securities.

We have adopted a clawback policy that provides for the recovery from executive officers of improperly received incentive compensation going back three years in the event of an accounting restatement.

The Compensation Committee engages the Executive Compensation Consulting division of Arthur J. Gallagher & Co. (this division was formerly known as James F. Reda & Associates) ( JFR ), an independent compensation consultant, to guide it in making compensation decisions.

We do not have any tax gross-up benefits in any of our executives' compensation arrangements. The Compensation Committee has adopted a policy against providing tax gross-ups under any circumstances.

### **Executive Compensation Decisions The Role of the Compensation Committee, Executives and Consultants**

The Compensation Committee is responsible for evaluating and approving the compensation of our executive officers and the presidents of our business units. The Compensation Committee considers recommendations from our Chief Executive Officer with respect to executive compensation matters, except regarding his own compensation. From time to time, including with respect to certain decisions made regarding fiscal year 2014 compensation, the Compensation Committee utilizes the services of an

independent consulting firm to perform analyses and to make recommendations relative to executive compensation matters. The Compensation Committee takes such information into consideration in making its compensation decisions.

### **Determination of Compensation Levels**

In setting compensation levels, including bonus eligibility levels for our Chief Executive Officer, President and Chief Operating Officer, and Chief Financial Officer under our performance bonus plan, and the mix of compensation for fiscal year 2014, the Compensation Committee considered several factors. These include existing employment agreements with individual executives, the desire to motivate the executives and align the compensation of the executives with the financial performance of the Company by providing the majority of the executives' compensation in the form of performance-based compensation, and the Compensation Committee's subjective assessment of the individual's experience, responsibilities, management, leadership abilities and job performance. The Compensation Committee has, from time to time, used focused marketplace compensation analysis and reviewed compensation levels at companies of similar type and size for comparison purposes in connection with the recruitment and retention of our executive officers. Although it does not set their compensation, the Compensation Committee also reviews the level of compensation of the executives of our subsidiaries below the president level in order to consider how the compensation levels of those executives relate to the compensation that we pay to our subsidiary presidents. The Compensation Committee recognizes that Griffon has adopted an approach that focuses not only on the appropriate deployment of and return of capital in our existing businesses, but also on growth and diversification. Accordingly, while the Committee recognizes the benefit of using comparative information in determining compensation at the corporate level, it also recognizes the limitations of such comparisons for a company, such as Griffon, that has shown dynamic development and growth potential. For this reason among others, including the difficulty in identifying other diversified manufacturing public companies of size and scope similar to Griffon, the Committee has not used a peer group or specific benchmarking standards in determining executive compensation levels. In addition, in assessing compensation levels, the Compensation Committee has been generally cognizant of the high cost of living, especially housing expense, in the New York-New Jersey-Connecticut metropolitan area and the resulting challenges presented in attracting and retaining executive talent.

In 2012, the Compensation Committee retained JFR, an independent outside executive compensation consulting firm. JFR assists the Committee in evaluating Griffon's executive compensation practices for senior management personnel and provides general advice regarding compensation practices and policies. JFR is retained directly by the Compensation Committee. With respect to fiscal 2014 compensation, JFR advised the Committee regarding the selection of the performance criteria, target levels and payment amounts to be used under the performance bonus plan for fiscal 2014, and as to whether the cash bonuses to be paid in respect of fiscal 2014 to Messrs. Kramer, Mehmel and Wetmore under the performance bonus plan were reasonable and appropriate in light of (i) the fiscal 2014 performance measures and bonus opportunities approved by the Committee in December 2013 and (ii) the operational and financial results of the Company for fiscal 2014. JFR also advised the Committee on other matters from time to time as requested by the Committee, such as the structure of restricted share grants to Messrs. Kramer, Mehmel and Wetmore (including the type of performance measure to be used, the target levels of performance and the number of shares to be granted), and the compensation levels of our business unit presidents.

## Elements of Executive Compensation

As noted above, our executive compensation program includes four components: base salary; annual cash incentive bonuses; equity-based compensation; and retirement, health and welfare benefits and other perquisites. As shown in the pie charts below, 87% of our CEO's 2014 compensation was performance-based, and 62.7% of our other NEO's 2014 compensation was performance-based.

*Base Salary.* We pay a base salary that the Compensation Committee determines is competitive with respect to the scope, responsibilities and skills required of the particular position in order to attract and retain qualified individuals. As discussed above, the Compensation Committee assesses compensation from other companies from time to time by analyzing the compensation paid in the marketplace. Annual merit increases are considered after annual review, on a subjective basis. Mr. Kramer's base salary was increased to \$943,000, effective October 1, 2013, representing a 1.6% cost of living increase pursuant to the terms of Mr. Kramer's employment contract as in effect at that time. Mr. Kramer's base salary was increased to \$961,900, effective December 1, 2014, representing a 2% increase, the same percentage cost of living increase that was awarded to other senior executives. Although we were formerly required to provide our Chief Executive Officer with an annual cost of living adjustment to his salary, in December 2013 Mr. Kramer agreed to amend his employment agreement to delete this provision.

Mr. Mehmel's base salary was increased to \$711,200 effective December 1, 2013, representing a 1.6% increase, and to \$761,000 effective December 1, 2014, representing a 7% increase, of which 5% represents a merit increase and 2% represents a cost of living adjustment; Mr. Wetmore's base salary was increased to \$589,400 effective December 1, 2013, representing a 1.6% increase, and to \$601,200 effective December 1, 2014, representing a 2% increase; and Mr. Kaplan's base salary was increased to \$342,900 effective December 1, 2013, representing a 1.6% increase, and to \$349,800 effective December 1, 2014, representing a 2% increase.

*Annual Cash Incentive Bonuses.* Annual cash incentive bonuses are designed to provide a significant and variable financial opportunity to our executive officers on an annual basis based upon Company and individual performance.



In November 2010, our Board of Directors adopted the 2011 Performance Bonus Plan, which was approved by stockholders at our annual meeting of stockholders held on February 3, 2011. This plan replaced our prior 2006 Performance Bonus Plan. Bonus awards under the 2011 Performance Bonus Plan, if any, are intended to qualify as performance-based compensation under Internal Revenue Code Section 162(m). Accordingly, the 2011 Performance Bonus Plan maximizes the deductibility of compensation paid to our senior executives who are subject to potential deduction limitations under Section 162(m). The Performance Bonus Plan is administered by the Compensation Committee, which selects the participants and establishes the performance periods and the specific objective performance goals to be achieved during those periods. The Compensation Committee believes that the 2011 Performance Bonus Plan supports our Company's pay-for-performance philosophy by making the payment of annual bonus amounts to our most senior executive officers contingent upon the achievement of pre-established and objective performance goals. Moreover, the Compensation Committee retains, and from time to time has exercised, negative discretion to reduce bonus awards otherwise earned through the attainment of the performance goals.

In December 2013, in accordance with and pursuant to the 2011 Performance Bonus Plan, the Compensation Committee established objective, calculable and prospective goals under that plan for fiscal year 2014. These goals were established by the Compensation Committee to be consistent with our operational, strategic and capital objectives for fiscal year 2014 approved by the Board at the beginning of the fiscal year. In establishing goals, the Compensation Committee seeks to create incentives for the attainment of the capital, strategic and operational objectives set by the Board.

Consistent with the strategy and business objectives set by the Board, the Compensation Committee determined that annual objectives should be established in two different areas achieving strong operating results, as measured by EBITDA, and continuing to strengthen Griffon's balance sheet, as measured by working capital level. For fiscal 2014, while the Committee continued to believe it important to use working capital as a performance measure to create an appropriate incentive to maintain liquidity and financial strength, the Committee desired to continue to put a stronger emphasis on operating results and to weigh EBITDA performance more heavily (accounting for approximately 75% of the cash bonus opportunities for Messrs. Kramer, Mehmel and Wetmore), and assigned an approximate 25% weighting to working capital.

Bonus eligibility amounts for Messrs. Kramer, Mehmel and Wetmore were established based on various levels of achievement of EBITDA for fiscal 2014 and working capital as of September 30, 2014, as follows:

	<b>EBITDA level</b>	<b>Ronald J. Kramer</b>	<b>Robert F. Mehmel</b>	<b>Douglas J. Wetmore</b>
Minimum	\$ 133,000,000	\$ 2,000,000	\$ 500,000	\$ 400,000
Target	\$ 156,000,000	\$ 4,000,000	\$ 1,000,000	\$ 800,000
Superior	\$ 167,000,000	\$ 5,500,000	\$ 1,375,000	\$ 1,100,000
Maximum	\$ 173,000,000	\$ 7,500,000	\$ 1,875,000	\$ 1,500,000

	<b>Working Capital level</b>			
Minimum	\$ 448,900,000	\$ 1,000,000	\$ 250,000	\$ 200,000
Target	\$ 471,900,000	\$ 1,250,000	\$ 313,000	\$ 250,000
Superior	\$ 482,900,000	\$ 2,000,000	\$ 500,000	\$ 400,000
Maximum	\$ 488,900,000	\$ 2,500,000	\$ 625,000	\$ 500,000

The Compensation Committee retained the power to reduce (but not increase) the bonuses actually awarded under the 2011 Performance Bonus Plan to ensure that the aggregate bonus actually paid under



that Plan to any individual was, in the judgment of the Compensation Committee, reasonable and in the best interests of the Company.

The Committee establishes EBITDA targets after the Board has reviewed the Griffon operating plan developed by management for the coming fiscal year. That operating plan incorporates the plans and budgets of each of the Company's operating subsidiaries as well as corporate expense, and requires that certain levels of organic growth be achieved for the payment of target bonuses at the subsidiary levels. In establishing EBITDA targets, the Compensation Committee considered similar factors to those considered when EBITDA target levels were set for fiscal 2011 through 2013, such as

the challenging U.S. and global economic environment, including in particular the downturn and slower than expected recovery of the U.S. housing market, which has a direct impact on the Company's building products business.

how the current economic environment is likely to impact consumer spending, and the likely resultant impact on Ames, the Company's lawn and garden tool business that was acquired in the fall of 2010.

the uncertain defense budgetary environment, and the possible impact of reduced military spending by the U.S. government (including the potential impact of sequestration) on Telephonics, the Company's defense electronics business.

that the setting of appropriate EBITDA targets would create an incentive to control general and administrative expenses.

In establishing working capital targets, the Compensation Committee considered the capital requirements of the Company necessary for the Company to maintain a strong balance sheet and desirable levels of liquidity for fiscal year 2014. The Committee also considered anticipated cash expenditures for fiscal 2014. The Committee believes that working capital is an appropriate measure of financial strength and stability as it prevents excessive reliance on short-term borrowings, thereby reducing the Company's exposure to uncertainties of the capital markets. Importantly, the Compensation Committee also recognized the inherent tension between maintaining a strong working capital position and the mandates of the Company's Board of Directors to increase earnings growth through acquisitions of synergistic or complementary businesses and to return cash to shareholders through share repurchases and dividends. The Committee also recognized that in view of the Board's role in establishing the level of share repurchases and in approving acquisitions, decisions with respect to these activities and the consequences of those decisions are not ultimately within the control of management. To address this balance, and to eliminate any disincentive for management to pursue strategic acquisitions as well as to avoid penalizing management for implementing the Board authorized share repurchase program, the Compensation Committee determined that the appropriate barometer should be an adjusted working capital measure that is not reduced by amounts expended in connection with share repurchases, and that is reduced by 50% (as opposed to 100%) of acquisition expenses (the adjusted working capital).

After the conclusion of fiscal 2014 and the preparation of the Company's audited financial statements, the Compensation Committee held meetings in which the Committee reviewed the extent to which targets established under the 2011 Performance Bonus Plan were attained and considered the extent to which bonuses under the plan would be paid. The Committee determined that, in calculating the EBITDA and working capital amounts that determine the bonuses eligible to be paid to Messrs. Kramer, Mehmel and Wetmore under the 2011 Performance Bonus Plan, it should exclude the impact of certain items such as (i) the incremental EBITDA and incremental working capital resulting from the acquisition (and the long term borrowings used to finance the acquisition) of two Australian businesses that were

acquired during fiscal 2014 (Northcote Pottery and Cyclone Tools), and (ii) certain receivables that are considered current assets under Generally Accepted Account Principals but which are not expected to be collected within one year. The Committee determined that Messrs. Kramer, Mehmel and Wetmore were eligible for, and would be awarded, bonus amounts as follows, based on an EBITDA level of \$151.7 million and a working capital level that fell below the minimum amount of 448.9 million (as previously approved by the Committee, interpolation was used to arrive at the eligible amounts):

<b>Executive</b>	<b>Eligible amount based on EBITDA</b>	<b>Eligible amount based on Working Capital</b>	<b>Total eligible amount</b>	<b>Bonus awarded</b>
Ronald J. Kramer	\$ 3,628,000	\$ 0	\$ 3,628,000	\$ 3,628,000
Robert F. Mehmel	\$ 907,000	\$ 0	\$ 907,000	\$ 907,000
Douglas J. Wetmore	\$ 726,000	\$ 0	\$ 726,000	\$ 650,000

The Committee recognized that the strong leadership and contributions of Messrs. Kramer, Mehmel and Wetmore led to, among other things, a substantial improvement in the Company's operating results in a challenging economic environment, the enhancement of the Company's financial condition by virtue of a successful refinancing of the Company's senior notes at a lower interest rate, and the strengthening of the Company's Ames Australian business by virtue of two acquisitions. The Committee determined to award each of Mr. Kramer and Mr. Mehmel the bonus amount to which he is entitled based on the calculations as described above. With respect to Mr. Wetmore, the Committee determined to increase his bonus from 2013, but exercised negative discretion and awarded a bonus of \$650,000. The Committee determined that, with a bonus of this amount, Mr. Wetmore's overall compensation was reasonable and appropriate given his position and responsibilities.

The bonus for Mr. Kaplan is discretionary and is based primarily upon a subjective analysis by the Compensation Committee of Mr. Kaplan's individual performance. The Committee recognized the substantial contributions made by Mr. Kaplan relating to the Company's legal function during fiscal 2014, and determined that Mr. Kaplan be awarded a bonus of \$275,000 in respect of fiscal 2014.

*Equity-based Compensation.* Equity-based compensation is designed to provide incentives to our executive officers to build stockholder value over the long term by aligning their interests with the interest of stockholders. Since 2006, we have granted equity-based awards in the form of restricted stock, as the Compensation Committee determined this was an effective vehicle for the motivation and retention of our executive officers. In 2011, we started including performance criteria as a component of certain of our restricted stock awards.

Since the fall of 2011, all restricted share awards granted to our named executive officers have been 100% performance-based. This further implements the Committee's philosophy of aligning executive compensation with the financial performance of the Company, and motivating executives, by providing a substantial portion of our executives' compensation in the form of performance-based compensation. We believe the Company is included in a small minority of public companies that has granted exclusively performance-based equity awards to its named executive officers in recent years.

The Committee believes that equity-based compensation provides an incentive that focuses the executive's attention on managing our Company from the perspective of an owner with an equity stake in the business. In determining the amount of equity-based compensation to be awarded to our named executive officers, the Compensation Committee takes into consideration, among other things, the level of the officer's responsibility, performance of the officer, other compensation elements and the amount of previous equity grants awarded to the individual. In addition, with respect

to recruiting an executive officer to join our Company, the amount of equity consideration may be negotiated to reflect the amount necessary

to hire the desired person. The largest grants are generally awarded to the most senior officers who, in the view of the Compensation Committee, have the greatest potential to have an impact on our profitability, growth and financial position.

Pursuant to our 2011 Equity Incentive Plan (the Incentive Plan ), we may issue up to 4,200,000 shares of our common stock. The Compensation Committee believes that the Incentive Plan allows our Company to attract and retain executive management by providing them with appropriate equity-based incentives and rewards for superior performance. Approximately 609,000 shares were available for grant as restricted shares as of November 30, 2014 under the Incentive Plan.

On January 30, 2014, Messrs. Kramer, Mehmel and Wetmore received restricted stock grants which vest on November 30, 2016 if the Company achieves certain aggregate Core EPS levels for the period January 1, 2014 through September 30, 2016. Grants were as follows:

	<b>Shares earned at aggregate Core EPS level of \$0.94 per share</b>	<b>Shares earned at aggregate Core EPS level of \$1.44 per share</b>
<b>Executive</b>		
Ronald J. Kramer	147,167	294,334
Robert F. Mehmel	36,792	73,584
Douglas J. Wetmore	14,717	29,433

For purposes of the award, Core EPS means the fully diluted earnings per share of the Company for the performance period computed in accordance with GAAP, adjusted for, and not taking into account, the impact of changes in accounting principles, corporate restructuring and/or refinancing charges, corporate acquisition and disposition expenses and other similar non-recurring items. **The target Core EPS level of \$1.44 per share represents a compound annual growth rate of approximately 30% over the performance period and, based upon historical correlation between EPS and the Company's stock price, it is expected that achievement of the target Core EPS level would result in a substantial increase in shareholder value.**

In order to mitigate any incentive for excessive risk taking, the Compensation Committee restricted the recipients from selling the shares for two years after they vest. These awards are subject to earlier vesting in the event of death, disability or a change in control of the Company. The Committee believes that Core EPS is an appropriate performance measure that is closely correlated with shareholder value. In addition, the use of Core EPS furthers the objective of the Committee of using a variety of different performance measures for its most senior executives.

On December 12, 2013, a prior grant to Mr. Kramer of 200,000 shares of performance-based restricted stock was amended to add a second performance criterion that can only be achieved over a three-year performance period. This grant, as originally adopted, required that the Company achieve at least \$170 million of consolidated EBITDA in fiscal 2014, 2015 or 2016. As amended, these shares will vest on November 30, 2016 if, and only if, both (i) the \$170 million annual EBITDA level is achieved by fiscal 2017, and (ii) the Company achieves aggregate EBITDA over the three fiscal year 2014-2016 of at least \$475 million. This three year measure represents an approximate \$34 million increase from aggregate EBITDA of \$441 million for fiscal 2011-2013. The Committee felt that, while it is important that vesting of the CEO's three-year performance award depend on superior achievement of operating results in at least one fiscal year, there also be a required level of performance over the entire three-year period. If either performance criterion is not met, the shares will be forfeited in their entirety. This award is subject to earlier vesting in the event of

death, Disability or a Change in Control, or, subject to achievement of the required performance criteria, if Mr. Kramer is terminated without Cause or leaves for Good Reason (as such terms are defined in Mr. Kramer's Employment Agreement).

On November 12, 2013, Mr. Kaplan was granted 44,391 shares of restricted stock. Subject to Mr. Kaplan's continued employment, all 44,391 shares will vest on November 12, 2016 if Company consolidated EBITDA is equal to or greater than \$170 million in at least one of fiscal 2014, 2015 or 2016. If the EBITDA performance condition is not attained, the restricted shares will be forfeited. These restricted shares are subject to earlier vesting if, within two years after a Change in Control, Mr. Kaplan is terminated without Cause or leaves for Good Reason. Also on November 12, 2013, an award of 45,000 restricted shares previously granted to Mr. Kaplan on December 6, 2011, and an award of 50,000 restricted shares previously granted to Mr. Kaplan on December 6, 2012, were each amended such that the shares subject to such awards will vest upon achievement of the performance condition of at least \$170 million of Company consolidated EBITDA in one fiscal year so long as the performance condition is achieved by fiscal 2016; if the performance condition is not achieved by fiscal 2016, the shares will be forfeited. In addition, on November 11, 2014, Mr. Kaplan was granted 44,000 shares of restricted stock that will vest, subject to Mr. Kaplan's continued employment, on November 11, 2017 if, and only if, Company consolidated EBITDA is equal to or greater than \$175 million in at least one of fiscal 2015, 2016 or 2017.

The Compensation Committee determined to grant the awards described above to each of Messrs. Kramer, Mehmel, Wetmore and Kaplan (i) based on a subjective analysis of the executive's performance, (ii) to provide enhanced retention and motivation for the executive, (iii) to reflect the Company's philosophy that a substantial portion of the compensation of its senior executives should be performance-based, and (iv) as a measure of compensation risk to management in that it requires the executive to remain with the Company for a significant period of time before vesting in the equity award and effectively subjects the executive to the same share value risks to which our stockholders are subject during the cliff vesting period.

The Compensation Committee believes that the Company generally benefits from the retention and risk mitigation elements provided by a multi-year cliff vesting period (in addition to our performance vesting requirements and conditions), and has determined that cliff vesting, rather than pro-rata annual vesting, better aligns an executive's compensation interests with the longer-term business strategies and tactics of the Company over the vesting period. The Committee also believes that cliff-vesting (in addition to our performance vesting requirements and conditions), reduces the motivation to engage in short-term strategies that may increase the Company's share price in the near term but may not create the best foundation for maximizing long-term stockholder value. The long-term vesting requirement is therefore also considered a disincentive to excessive risk taking by management as any adverse consequences of such risks would be reflected in the value of the equity awards by the time those awards vest. **Accordingly, all restricted share awards granted to executives since the fall of 2011 reflect a multi-year cliff vesting period that is generally three years or longer (in addition to our performance vesting requirements and conditions).**

*Retirement, Health and Welfare Benefits and Other Perquisites.* Our executive officers are entitled to participate in all of our employee benefit plans, including medical, dental, vision, group life, disability, accidental death and dismemberment insurance and our 401(k) Retirement Plan and the ESOP. We provide vacation and paid holidays to our executive officers. We provide additional medical benefits to our named executive officers pursuant to a secondary self-insured health insurance plan that covers items not covered by our primary health insurance plan available to our employees generally. We also provide certain of our executive officers with a leased car or allowance and/or additional life insurance not available to our employees generally. We provide these perquisites to Messrs. Kramer, Mehmel, Wetmore and Kaplan pursuant to the terms of their respective employment agreements. We also reimburse Mr. Mehmel for certain financial, investment, estate planning, tax and insurance consulting services. See the Summary



Compensation Table for details regarding the value of perquisites received by our executive officers. We also provide Mr. Kramer a Company car and driver pursuant to the terms of Mr. Kramer's employment agreement; to the extent Mr. Kramer utilizes this service for personal use, the relative value is reflected in the Summary Compensation Table.

Employee Stock Ownership Plan. The Company has maintained an Employee Stock Ownership Plan ( ESOP ) since 1983. All of our U.S. employees who work 1,000 or more hours per year (a Year of Service ), including our NEOs, are eligible to participate in the ESOP, except those who are members of a collective bargaining unit. Annual contributions are made to the ESOP in such amounts as the Board of Directors may determine in its sole discretion. Contributions to the ESOP are invested primarily in the Company's common stock.

The ESOP, through its trustee, currently Wells Fargo Bank, N.A. (the Trustee ), may borrow funds for the purpose of purchasing Company common stock. The shares purchased from such borrowings are held in a suspense account as collateral for the loan. When payments of principal and interest on such a loan is made, a number of shares of such Company common stock acquired through such loan (based on the portion of principal and interest paid) are released from the suspense account and allocated to eligible participants at the end of the applicable plan year. Eligible participants are those employees who (i) are employed by the Company on the last day of the plan year and have completed a Year of Service in the plan year, or (ii) terminated employment during the plan year due to attainment of age 65, death or disability during the plan year. Generally, the number of shares allocated to a participant for a plan year is based on the ratio of the participant's compensation for the plan year to the total compensation for the plan year of all eligible participants. Participants vest in the contributions made on their behalf over time and become 100% vested after two years of service. No contributions are required of, nor accepted from, any employee. Historically, the amount of the Company's annual contributions to the ESOP have solely been the amount necessary to satisfy the ESOP's obligations for such plan year with respect to the ESOP's outstanding third party loans.

The ESOP currently has a loan agreement outstanding, the proceeds of which were used to purchase our common stock. The loan is guaranteed by Griffon and is being repaid in quarterly installments through December 2018. As of November 30, 2014, the ESOP had outstanding borrowings of \$38,946,417. As of November 30, 2014, there were 5,662,144 shares of common stock in the ESOP, of which 2,154,857 were allocated to participant accounts and 3,507,287 were unallocated and held in the suspense account.

The Trustee is considered the stockholder for the purpose of exercising all owners' and stockholders' rights with respect to the Company's common stock held in the ESOP, except for voting rights. Subject to the Trustee's fiduciary duties with respect to the ESOP, the Trustee will vote the shares held by the ESOP as follows:

- shares that have been allocated to a participant's ESOP account (whether vested or unvested) for which voting instructions have been received are voted in accordance with such instructions;
- shares that have been allocated to a participant's ESOP account for which voting instructions have not been received are voted in the same proportions as those votes cast by participants who have submitted voting instructions; and
- shares that have not been allocated to a participant's account are voted in the same proportions as those votes cast with respect to shares allocated to participants' accounts.

## Employment Agreements

In March 2008, we entered into an employment agreement with Ronald J. Kramer, pursuant to which he became our Chief Executive Officer effective April 1, 2008. We entered into an amendment to this agreement with Mr. Kramer on February 3, 2011. Pursuant to the terms of the employment agreement, as amended, Mr. Kramer's term of employment continues for three years from the date on which either party gives notice that the term of employment will not be further renewed. The employment agreement provided an initial annual base salary to Mr. Kramer of \$775,000, which is subject to discretionary increases. Under the employment agreement, Mr. Kramer received grants of restricted stock that have now vested, and is eligible for an annual cash bonus as determined by the Compensation Committee. Mr. Kramer is also entitled to receive severance payments upon termination of his employment under certain circumstances, as more fully described below under Potential Payments Upon Termination or Change in Control. Mr. Kramer's employment agreement previously provided for a contractually required annual cost of living salary increase. On December 12, 2013 Mr. Kramer's employment agreement was further amended to eliminate this provision so that Mr. Kramer, like other Griffon executives, is now only eligible to receive discretionary salary increases.

On December 7, 2012, we entered into an employment agreement with Robert F. Mehmel, pursuant to which he became our President and Chief Operating Officer effective December 10, 2012. Under the employment agreement, Mr. Mehmel's initial term of employment is four years, and thereafter the agreement automatically renews for successive one year periods unless either party provides appropriate notice of non-renewal to the other party. We provided an initial annual base salary to Mr. Mehmel of \$700,000 per annum, with eligibility for periodic increases commencing October 1, 2013. Mr. Mehmel is eligible for an annual cash bonus as determined by the Committee, with a target bonus amount not less than 100%, and a maximum bonus amount not less than 200%, of Mr. Mehmel's then current base salary. We also provided a grant of 300,000 performance-based restricted shares to Mr. Mehmel as an inducement grant necessary to recruit him. On November 12, 2013, the Committee certified the achievement of the performance criteria with respect to this grant of restricted shares; these restricted shares will now vest, subject to Mr. Mehmel's continued employment, as to 50% of the underlying shares on each of December 10, 2015 and 2016. Upon termination of his employment under certain circumstances, Mr. Mehmel is entitled to receive some or all of the 300,000 restricted shares described above, and is also entitled to certain severance payments (as more fully described below under Potential Payments Upon Termination or Change in Control).

On August 6, 2009, we entered into an employment agreement with Douglas J. Wetmore, pursuant to which he became our Executive Vice President and Chief Financial Officer effective September 1, 2009. Pursuant to the employment agreement, Mr. Wetmore's initial term of employment was four years, and now automatically renews for successive one-year periods unless either party provides appropriate notice of non-renewal to the other party. The agreement provided for Mr. Wetmore to receive an initial annual base salary of \$500,000, subject to discretionary increases. Commencing with the 2010 fiscal year, Mr. Wetmore became eligible for an annual cash bonus as determined by the Compensation Committee. Pursuant to the terms of Mr. Wetmore's employment agreement, on September 1, 2009, Mr. Wetmore received a restricted stock grant of 200,000 shares of common stock under the Company's 2006 Equity Incentive Plan, which cliff vested on September 1, 2013. Mr. Wetmore is also entitled to receive severance payments upon termination of his employment under certain circumstances, as more fully described below under Potential Payments Upon Termination or Change in Control.

On April 27, 2010, we entered into an employment agreement and related severance agreement with Seth L. Kaplan, pursuant to which he became our Senior Vice President, General Counsel and

Secretary effective on May 17, 2010. Pursuant to these agreements, Mr. Kaplan's initial term of employment was four years, and now automatically renews for successive one-year periods unless either party provides appropriate notice of non-renewal to the other party. The employment agreement provided for Mr. Kaplan to receive an initial annual base salary of \$312,500, subject to discretionary increases. Commencing with the 2010 fiscal year, Mr. Kaplan became eligible for an annual cash bonus (at a minimum target of 50% of base salary). Pursuant to his employment agreement, Mr. Kaplan received a restricted stock grant of 40,000 shares of common stock, which cliff vested on May 17, 2014. Mr. Kaplan is also entitled to receive severance payments upon termination of his employment under certain circumstances, as more fully described below under Potential Payments Upon Termination or Change in Control.

With respect to the agreements described above, each of Messrs. Kramer, Mehmel, Wetmore and Kaplan has agreed to customary non-competition and non-solicitation provision that extend for a post-termination period ranging from twelve to eighteen months, as well as customary terms regarding the protection and confidentiality of our trade secrets, proprietary information and technologies, designs and inventions. A change in control is generally defined in these agreements to include, among other things, the acquisition by a person or entity of more than 30% of the voting securities of our Company, the current Board of Directors no longer constituting a majority of the Board (directors approved by the existing Board will be considered a part of the current Board), and certain merger or sale of assets transactions. Pursuant to the agreements described above, we provide certain perquisites to our named executive officers, as described above under Retirement, Health and Welfare Benefits and Other Perquisites and as reflected in the Summary Compensation Table.

### Stock Ownership Guidelines

In November 2010, we adopted stock ownership guidelines which require that our executive officers acquire, over time, a certain number of shares of our common stock. Under the Company's stock ownership guidelines:

the target number of shares for compliance is stated in a dollar amount  
the executive is required, within three years of the adoption of the policy (or, for future executive officers, within three years of assuming such position with the Company), to reach the target dollar value through ownership of shares of common stock and to retain the target amount of shares until termination of service  
the target dollar value is as follows:

<b>Position</b>	<b>Target Dollar Value</b>
CEO	5x Salary
COO	4x Salary
CFO	3x Salary
Other Executive Officers	2x Salary
Business Unit Presidents	2x Salary

until the target dollar value has been reached, the executive must retain all net shares received under any Company equity compensation program ( net shares means all shares net of taxes and, in the case of options, exercise price) testing for compliance is done quarterly

once the executive holds the target dollar value as of a testing date, he is deemed to be in compliance with the policy so long as he continues to hold at least the number of shares he held as of that testing date the following shares count toward reaching the applicable guideline amount:

restricted shares granted under our equity incentive plans

shares held by an investment fund or other investment vehicle with which the executive is affiliated

shares held by a parent, child or grandchild of the executive, or by a trust or other entity established for any such family members, so long as the executive retains the power to dispose of the shares

if an executive fails to be in compliance within the applicable three year period, this can be considered by the Compensation Committee in determining future equity awards

Under these guidelines, each of our executive officers, and business unit presidents, either holds shares with a value greater than the applicable target dollar value, or we believe will own such amount of shares within the specified three-year period. At the end of the three-year period, any executive who does not hold shares with the requisite target value is restricted from selling any shares received under our equity plans (net of shares that may be used to pay taxes and, in the case of options, exercise price). We monitor compliance with the guidelines on a periodic basis. Our Stock Ownership Guidelines apply to directors as well, as described below in the discussion of the compensation of our directors.

Mr. Kramer, our Chief Executive Officer, holds over 2,000,000 shares of our common stock, which is well in excess of his target number of shares under our stock ownership guidelines of approximately 370,000 shares. Mr. Kramer acquired a substantial portion of his over 2,000,000 shares through investment of his personal assets.

#### **Policy Against Pledging and Hedging Company Securities**

Our Policy on Insider Trading prohibits our directors, officers, business unit Presidents and certain other key employees from (i) pledging company securities, (ii) engaging in hedging or monetization transactions that allow the person to lock in the value of his security holdings, and (iii) purchasing securities on margin or holding securities in a margin account. Because these types of activities could result in a sale of securities at a time when the director or employee has material, inside information, or could create a situation in which a director or employee owns securities without the full risks and rewards of ownership, our Board believes it prudent to prohibit our directors, officers and key employees from entering into these types of transactions. All directors and officers have indicated they are in compliance with the policy as revised.

#### **Clawback Policy; Potential Impact on Compensation from Executive Misconduct**

Under our Incentive-Based Compensation Clawback Policy, if we are required to prepare an accounting restatement due to material noncompliance with the financial reporting requirements under U.S. securities laws, the Company shall be entitled to recover (and shall seek to recover), from our executive officers, any excess incentive-based compensation received by our executive officers during the three year period prior to the date on which we are required to prepare the restatement. This policy applies to both equity-based and cash compensation awards. The excess compensation is the difference between the

actual amount that was paid, and the amount that would have been paid if the financial statements were prepared properly in the first instance. As one means of enforcing the Clawback Policy, we have added a clawback provision to our form agreement used for equity grants to our executive officers.

In addition, if the board or an appropriate committee of the board determines that an officer has engaged in fraudulent or intentional misconduct, we are authorized to take action to remedy the misconduct, prevent its recurrence, and impose appropriate discipline on the individual who engaged in the misconduct. Discipline would vary depending on the facts and circumstances, and may include termination of employment and initiating an action for breach of fiduciary duty. These remedies are in addition to any other remedies available to us or imposed by law enforcement agencies, regulators or other authorities.

### **Tax and Accounting Implications**

Internal Revenue Code Section 162(m) prevents publicly traded companies from receiving a tax deduction on certain compensation in excess of \$1,000,000 for each covered executive officer in any taxable year. Compensation that is performance-based under the Internal Revenue Code's definition is exempt from this limit.

Cash bonuses paid under our Performance Bonus Plan are performance-based, and therefore we believe deductible, under Section 162(m), without limitation. Compensation income attributable to the vesting of time-based restricted stock is not performance-based as defined in Section 162(m), and therefore the related compensation expense is not deductible under that section to the extent that, together with other compensation attributed to a covered executive officer in the applicable year that is not performance-based, such income exceeds \$1,000,000.

Since the fall of 2011, all restricted stock grants to our named executive officers have been performance-based, and therefore we believe the compensation expense related to the vesting of the applicable restricted shares will be deductible under Section 162(m) without limitation.

Our policy with respect to qualifying compensation paid to our covered executive officers for tax deductibility purposes is that, other than restricted stock grants awarded to certain covered executive officers that are not performance-based and therefore do not qualify for exemption under Section 162(m), executive compensation plans will generally be designed and implemented to maximize tax deductibility. However, non-deductible compensation may still be paid to covered executive officers in circumstances when necessary for competitive reasons or to attract or retain a key executive, or in situations where achieving maximum tax deductibility may not be in the best overall interest of the Company. With respect to calendar year 2014, compensation expense attributable to the vesting of time-based restricted stock previously granted to Mr. Kramer will be non-deductible. Other than this amount, as well as a portion of the amount reflected in the All Other Compensation column of the Summary Compensation Table with respect to Mr. Kramer for fiscal 2014, the Compensation Committee does not believe there will be any other non-deductible compensation for calendar year 2014.

Additionally, as stated above, the Compensation Committee believes that each executive should be responsible for the taxes payable with respect to such individual's compensation. Accordingly, the Compensation Committee has established a clear policy against providing tax gross-ups to executives.

**EQUITY COMPENSATION PLAN INFORMATION**

The following sets forth information relating to our equity compensation plans as of September 30, 2014:

<b>Plan Category</b>	<b>(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>(b) Weighted- average exercise price of outstanding options, warrants and rights</b>	<b>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
Equity compensation plans approved by security holders (1)	579,285	\$ 20.20	984,297
Equity compensation plans not approved by security holders (2)	3,600	\$ 26.06	

- (1) Excludes restricted shares issued in connection with our equity compensation plans; as of September 30, 2014, 3,207,318 unvested shares of restricted stock have been awarded under our equity compensation plans and remain subject to certain forfeiture conditions. The total reflected in column (c) includes shares available for grant as any equity award under the Incentive Plan.
- (2) Our 1998 Employee and Director Stock Option Plan is the only equity plan which was not approved by our stockholders. No new awards have been granted under the Employee and Director Stock Option Plan since February 2008.

**COMPENSATION COMMITTEE REPORT**

We have reviewed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with the Company's management. Based on such review and discussion, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2014.

***Compensation Committee***

Henry A. Alpert (Chairman)

Blaine V. Fogg

Rear Admiral Robert G. Harrison  
(USN Ret.)

### Summary Compensation Table

The following table sets forth all compensation for the fiscal years ended September 30, 2014, 2013 and 2012 awarded to or earned by our principal executive officer, principal financial officer and each of our other executive officers. We refer to these individuals as our named executive officers or NEOs.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)(4)	Total(\$)
Ronald J. Kramer	2014	943,000		3,999,999	3,628,000	200,417	8,771,416
Chief Executive Officer	2013	928,055		2,400,000	3,600,000	198,486	7,126,541
	2012	913,440			3,500,000	180,250	4,593,690
Robert F. Mehmel	2014	709,333		1,000,007	907,000	68,122	2,684,462
President and Chief Operating Officer (1)	2013	571,507		3,231,000	1,000,000	74,853	4,877,360
	2012	567,417			650,000	63,866	1,281,282
Douglas J. Wetmore	2014	587,839		399,994	650,000	60,236	1,698,070
Executive Vice President and Chief Financial Officer	2013	578,512		500,004	600,000	67,778	1,746,294
	2012	567,417			650,000	63,866	1,281,282
Seth L. Kaplan	2014	341,996	275,000	550,004		40,174	1,207,174
Senior Vice President, General Counsel and Secretary	2013	336,589	250,000	532,000		37,487	1,156,076
	2012	330,133	225,000	418,950		36,493	1,010,577

- (1) Mr. Mehmel began employment with Griffon on December 10, 2012; his annual salary rate in fiscal year 2013 was \$700,000.
- (2) Represents the aggregate grant date fair value of shares of restricted stock granted to the NEO during the applicable fiscal year, computed in accordance with FASB ASC Topic 718. These amounts do not correspond to the actual value that will be realized by the NEO. For additional information regarding the assumptions made in calculating these amounts, see Note 13, "Stockholders' Equity and Equity Compensation," to the consolidated financial statements, and the discussion under the heading "ACCOUNTING POLICIES AND PRONOUNCEMENTS—Stock-Based Compensation" in Management's Discussion and Analysis of Financial Condition and Results of Operations, each included in our Annual Report on Form 10-K for the year ended September 30, 2014.
- (3) Amounts paid to Messrs. Kramer, Mehmel and Wetmore under our 2011 Performance Bonus Plan.
- (4) All Other Compensation in fiscal year 2014 includes (a) \$46,756, \$4,535, \$5,108 and \$1,103 paid by us for life insurance policies on Messrs. Kramer, Mehmel, Wetmore and Kaplan, respectively; (b) our contributions under a 401(k) Retirement Plan of \$11,500, \$11,500, \$11,500 and \$8,750 for each of Messrs. Kramer, Mehmel, Wetmore and Kaplan, respectively; (c) expenses related to automobile use in the amounts of \$112,102, \$27,087, \$33,929 and \$20,049 for each of Messrs. Kramer, Mehmel, Wetmore and Kaplan, respectively, which for Mr. Kramer includes an amount allocated to reflect the personal use by Mr. Kramer of a driver provided by the Company; (d) \$27,416, \$10,000, \$7,079 and \$7,856 paid by us for supplemental medical benefits for each of Messrs. Kramer, Mehmel, Wetmore and Kaplan, respectively; (e) Company contributions in the amounts of \$2,642, \$2,620 and \$2,415 allocated under our ESOP on behalf of Messrs. Kramer, Wetmore and Kaplan, respectively; and (f) \$15,000 paid by us to reimburse Mr. Mehmel for certain financial, investment, estate

planning, tax and insurance consulting fees.



## Grants of Plan-Based Awards-Fiscal 2014

Name	Grant Date	Date of Action of Compensation Committee, if different than Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)		All Other Awards(3)	Grant Date Fair Value of Stock and Option Awards (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)		
Ronald J. Kramer Chief Executive Officer	1/30/14	1/29/14	3,000,000	5,250,000	10,000,000	147,167	294,334(3)	3,999,999(3)	
Robert F. Mehmel President and Chief Operating Officer	1/30/14	1/29/14	750,000	1,313,000	2,500,000	36,792	73,584(3)	1,000,007(3)	
Douglas J. Wetmore Executive Vice President and Chief Financial Officer	1/30/14	1/29/14	600,000	1,050,000	2,000,000	14,717	29,433(3)	399,994(3)	
Seth L. Kaplan Senior Vice President, General Counsel and Secretary	11/12/13						44,391(4)	550,004(4)	

(1) The individual aggregate maximum payouts established by the Compensation Committee payable under the 2011 Performance Bonus Plan (based on certain EBITDA and working capital performance levels) for the fiscal year ended September 30, 2014 for Messrs. Kramer, Mehmel and Wetmore were \$10,000,000, \$2,500,000 and \$2,000,000, respectively, as reflected in the table. In addition to the threshold, target and

maximum amounts reflected in the table, the Committee also established superior target payout levels for Messrs. Kramer, Mehmel and Wetmore of \$7,500,000, \$1,875,000 and \$1,500,000, respectively. These bonus eligibility amounts were established by the Committee under the 2011 Performance Bonus Plan.

- (2) Dividends paid on shares underlying a restricted stock award during the period such award is outstanding and unvested are paid when and to the extent that such restricted stock award vests.
- (3) On January 30, 2014 Messrs. Kramer, Mehmel and Wetmore received awards of 294,334, 73,584 and 29,433 shares, respectively, of performance-based restricted stock that will vest, subject to the executive's continued employment, as to 100% of the underlying shares on November 30, 2016 if the Company achieves aggregate Core EPS of \$1.44 for the period commencing January 1, 2014 and ending September 30, 2016 (the performance period), and as to 50% of the underlying shares if the Company achieves aggregate Core EPS of \$0.94 for the performance period. For purposes of the award, Core EPS means the fully diluted earnings per share of the Company for the performance period prepared in general accordance with GAAP, subject to certain adjustments. This award is subject to earlier vesting in the event of death, Disability or a Change in Control of the Company.
- (4) On November 12, 2013, Mr. Kaplan received an award of 44,391 shares of performance-based restricted stock that vests in full, subject to Mr. Kaplan's continued employment, on November 13, 2016 if, and only if, Company consolidated EBITDA is equal to or greater than \$170 million in at least one of fiscal years 2014, 2015 or 2016. If the EBITDA performance condition is not attained, the restricted shares will be forfeited. These restricted shares are subject to earlier vesting if, within two years after a change in control (i) Mr. Kaplan is terminated without cause or due to death or disability, or (ii) Mr. Kaplan leaves for good reason.

### Outstanding Equity Awards at Fiscal 2014 Year-End

The following table sets forth information with respect to the outstanding equity awards of the named executive officers as of September 30, 2014.

Name	Options Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(8)	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Exercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$)	Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(8)		Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)
Ronald J. Kramer Chief Executive Officer	350,000			20.00	9/30/2018			500,000(1) 200,000(2) 294,334(3)	5,695,000(1) 2,278,000(2) 3,352,464(3)
Robert F. Mehmel President and Chief Operating Officer						300,000(4)	3,417,000(4)	73,584(3)	838,122(3)
Douglas J. Wetmore President and Chief Financial Officer								90,000(1) 41,667(5) 29,433(3)	1,025,100(1) 474,587(5) 335,242(3)
Seth L. Kaplan Senior Vice								45,000(6) 50,000(6) 44,391(7)	512,550(6) 569,500(6) 505,613(7)

President,  
General  
Counsel  
and  
Secretary

- (1) On February 11, 2011, Messrs. Kramer and Wetmore received awards of 500,000 shares and 90,000 shares, respectively, of performance-based restricted stock that vest, subject to the executive's continued employment, on the first to occur of (i) February 11, 2018 and (ii) the date upon which the share price of Griffon's common stock has closed at or above a price of \$16 per share for thirty consecutive trading days. In January 2012 these awards were amended such that the underlying shares vest one year after, and only if, the Company's common stock closes at a price of \$16.00 or higher for thirty consecutive trading days on or prior to January 9, 2016; if the performance condition is not met by January 9, 2016, these restricted shares will be forfeited.
- (2) On January 29, 2013, Mr. Kramer received an award of 200,000 shares of performance-based restricted stock. Such award was amended on December 12, 2013 to add a second performance criterion that can only be achieved over a three-year performance period. These shares will vest, subject to Mr. Kramer's continued employment, on November 30, 2016 if, and only if, (i) the Company achieves \$170 million of consolidated EBITDA in fiscal year 2014, 2015 or 2016 and (ii) the Company achieves aggregate EBITDA over the three fiscal year period 2014-2016 of at least \$475 million. If either performance criterion is not met, these shares will be forfeited.
- (3) On January 30, 2014 Messrs. Kramer, Mehmel and Wetmore received awards of 294,334 shares, 73,584 shares and 29,433 shares, respectively, of performance-based restricted stock that will vest, subject to the executive's continued employment, as to 100% of the underlying shares on November 30, 2016 if the Company achieves aggregate Core EPS of \$1.44 for the period commencing January 1, 2014 and ending September 30, 2016 (the performance period), and as to 50% of the underlying shares if the Company achieves aggregate Core EPS of \$0.94 for the performance period. For purposes of the

award, Core EPS means the fully diluted earnings per share of the Company for the performance period prepared in general accordance with GAAP, subject to certain adjustments. If the Core EPS target of \$0.94 is not achieved, these shares will be forfeited.

- (4) On December 10, 2012, Mr. Mehmel was granted 300,000 performance-based shares of restricted stock. On November 12, 2013, the Committee certified the achievement of the performance criteria with respect to this grant of restricted shares. This award will now vest, subject to Mr. Mehmel's continued employment, as to 50% of the underlying shares on each of December 10, 2015 and 2016.
- (5) On January 29, 2013, Mr. Wetmore received an award of 41,667 shares of performance-based restricted stock that vests, subject to Mr. Wetmore's continued employment, on November 30, 2016 if, and only if, Company consolidated EBITDA is equal to or greater than \$170 million in at least one of fiscal years 2014, 2015 or 2016. If this performance target is not achieved, this award will be forfeited.
- (6) On December 6, 2011, Mr. Kaplan received an award of 45,000 shares of performance-based restricted stock. On December 6, 2012, Mr. Kaplan received an award of 50,000 shares of performance-based restricted stock. These awards were amended on November 12, 2013. As amended, each of these awards will vest, subject to Mr. Kaplan's continued employment, if, and only if, Company consolidated EBITDA is equal to or greater than \$170 million in at least one of fiscal year 2015 or fiscal year 2016. If this performance target is achieved, then the awards will vest on November 30 of the year in which the performance target is achieved; if the performance target is not achieved, these shares will be forfeited.
- (7) On November 12, 2013, Mr. Kaplan received an award of 44,391 shares of performance-based restricted stock that vests, subject to Mr. Kaplan's continued employment, on November 13, 2016 if, and only if, Company consolidated EBITDA is equal to or greater than \$170 million in at least one of fiscal years 2014, 2015 or 2016. If the performance target is not achieved, the restricted shares will be forfeited.
- (8) The value reflected is based upon the closing price of the common stock of \$11.39 on September 30, 2014.

**Option Exercises and Stock Vested in Fiscal 2014**

The following table sets forth information with respect to the number of options and shares of restricted stock granted to the named executive officers in previous years that were exercised or vested during the fiscal year ended September 30, 2014, as well as the value of the stock on the exercise or vesting date.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(4)
Ronald J. Kramer Chief Executive Officer			400,000	5,036,000(1)
Robert F. Mehmel President and Chief Operating Officer				
Douglas J. Wetmore Executive Vice President and Chief Financial Officer			75,000	927,150(2)
Seth L. Kaplan Senior Vice President, General Counsel and Secretary			55,000	642,750(3)

- (1) Represents the value of (a) 200,000 shares of restricted stock granted on November 18, 2009, which shares vested on November 18, 2013, and (b) 200,000 shares of restricted stock granted on February 11, 2011, which shares vested on February 11, 2014.
- (2) Represents the value of (a) 15,000 shares of restricted stock granted on November 18, 2009, which shares vested on November 18, 2013, and (b) 60,000 shares of restricted stock granted on February 11, 2011, which shares vested on February 11, 2014.
- (3) Represents the value of (a) 40,000 shares of restricted stock granted on May 17, 2010, which shares vested on May 17, 2014, and (b) 15,000 shares of restricted stock granted on November 15, 2010, which shares vested on November 15, 2013.
- (4) Value is based on the closing price of Griffon common stock on the date of vesting.

**Potential Payments Upon Termination or Change in Control**

As described above under the section entitled **COMPENSATION DISCUSSION AND ANALYSIS** Employment Agreements, we have entered into employment agreements with Ronald J. Kramer, our Chief Executive Officer, Robert F. Mehmel, our President and Chief Operating Officer, and Douglas J. Wetmore, our Executive Vice President and Chief Financial Officer, and a severance agreement with Seth L. Kaplan, our Senior Vice President, General Counsel and Secretary. These agreements provide for certain post-employment severance benefits in the event of

employment termination under certain circumstances.

The following tables provide estimates of the potential severance and other post-termination benefits that Mr. Kramer, Mr. Mehmel, Mr. Wetmore and Mr. Kaplan would be entitled to receive assuming their respective employment was terminated as of September 30, 2014 for the reason set forth in each of the columns.

**Ronald J. Kramer**

<b>Benefit</b>	<b>Termination Due to Death</b>	<b>Termination Due to Disability</b>	<b>Resignation for Good Reason or Termination by the Company Without Cause Prior to a Change in Control</b>	<b>Resignation for Good Reason or Termination by the Company Without Cause After a Change in Control</b>
Salary (1)		\$ 943,000	\$ 1,886,000	\$ 2,829,000
Bonus (2)		\$ 3,600,000	\$ 7,200,000	\$ 10,800,000
Pro-Rata Bonus (3)		\$ 1,414,500		
Accelerated Option Vesting				
Accelerated Restricted Stock Vesting (4)	\$ 11,325,464	\$ 11,325,464	\$ 5,695,000(5)	\$ 11,325,464
Value of health benefits provided after termination (6)	\$	\$ 42,491	\$ 42,491	\$ 42,491
Modified 280G Cutback				\$ (1,675,082)(7)
<b>Totals</b>	<b>\$ 11,325,464</b>	<b>\$ 17,325,455</b>	<b>\$ 14,823,491</b>	<b>\$ 23,321,873</b>

- (1) Upon termination due to Disability, Mr. Kramer is entitled to an amount equal to one times base salary, payable in 12 monthly installments. Upon a resignation for Good Reason or a termination by the Company without Cause, in each case, other than within 24 months after a Change in Control, Mr. Kramer is entitled to an amount equal to two times base salary, payable in 12 monthly installments. Upon a resignation for Good Reason or a termination by the Company without Cause, in each case, within 24 months after a Change in Control, Mr. Kramer is entitled to a lump sum payment equal to three times base salary.
- (2) Upon termination due to Disability, Mr. Kramer is entitled to an amount equal to the highest bonus received by Mr. Kramer over the three-year period prior to the assumed termination date of September 30, 2014, payable in 12 monthly installments. Upon a resignation for Good Reason or a termination by the Company without Cause, in each case, other than within 24 months after a Change in Control, Mr. Kramer is entitled to an amount equal to two times such highest bonus, payable in 12 monthly installments. Upon a resignation for Good Reason or a termination by the Company without Cause, in each case, within 24 months after a Change in Control Mr. Kramer is entitled to a lump sum payment equal to three times such highest bonus.
- (3) Upon a termination due to Disability, Mr. Kramer is entitled to receive a pro-rata bonus based on an assumed target bonus equal to 150% of his then current salary for the year in which such termination occurs. Because the assumed termination date occurs on the last day of the fiscal year, the bonus reflected above is 150% of his full salary for the fiscal year. Such amount would be paid in a lump sum. Mr. Kramer may also be entitled to a pro-rata bonus in the event of a resignation for Good Reason or termination by the Company without Cause prior to or after a Change in Control; however, such bonus would only be payable to the extent that the applicable performance targets were attained and the Compensation Committee did not exercise its negative discretion to reduce such bonus. Accordingly, such bonus is not set forth in the table above. If Mr. Kramer's \$3,628,000 bonus for fiscal year 2014 had been used in the calculation, the amount included above would have been \$3,628,000.
- (4) Except as provide in note (5) below, upon a termination due to death, Disability, by Mr. Kramer for Good Reason or by the Company without Cause at any time, Mr. Kramer's unvested restricted stock awards will vest in full. The value provided above is calculated based on a value of \$11.39 per share, the closing price of the



Company's common stock on the last trading day of the 2014 fiscal year. All of Mr. Kramer's unvested restricted stock awards will vest upon the occurrence of a Change in Control.

- (5) Notwithstanding note (4) above, Mr. Kramer's January 29, 2013 and January 30, 2014 restricted stock awards will not vest upon Mr. Kramer's resignation for Good Reason or a termination by the Company without Cause, in each case, prior to a Change in Control, unless, in the case of Mr. Kramer's January 29, 2013 restricted stock award only, the applicable performance targets have been satisfied. Because the restricted stock award granted to Mr. Kramer on January 30, 2014 will be forfeited upon a resignation for Good Reason or a termination by the Company without Cause, in each case, prior to a Change in Control, and because the applicable performance goals for the restricted stock award granted to Mr. Kramer on January 29, 2013 were not satisfied as of September 30, 2014, no amount is included in the table above for such awards.

- (6) The value of such benefits are determined based on the present value of the total estimated cost of providing health benefits to Mr. Kramer and his eligible dependents for 18 months after Mr. Kramer's termination of employment due to Disability, by the Company without Cause or by Mr. Kramer for Good Reason.
- (7) Mr. Kramer's benefits and payments are subject to a modified cutback to eliminate any excise tax payable under section 4999 of the Code if the net after-tax amount (taking into account all applicable taxes payable by Mr. Kramer) that Mr. Kramer would receive with respect to such payments or benefits does not exceed the net after-tax amount Mr. Kramer would receive if the amounts of such payments and benefits were reduced to the maximum amount which could otherwise be payable to Mr. Kramer without the imposition of the excise tax. In respect of a termination occurring as of September 30, 2014, Mr. Kramer would receive a greater benefit by having such payments and benefits reduced rather than paying the excise tax. The amount included above (which reduces the total for the column) is the amount by which such payments and benefits must be reduced in order for Mr. Kramer to avoid paying the excise tax.

**Robert F. Mehmel**

Benefit	Termination Due to Death	Termination Due to Disability	Resignation for Good Reason or Termination by the Company Without Cause Prior to a Change in Control	Resignation for Good Reason or Termination by the Company Without Cause After a Change in Control
Salary (1)		\$ 533,400	\$ 1,066,800	\$ 1,778,000
Bonus (2)			\$ 1,500,000	\$ 2,500,000
Pro-Rata Bonus (3)	\$ 711,200	\$ 711,200		\$ 1,000,000
Accelerated Restricted Stock Vesting	\$ 2,637,508(4)	\$ 2,637,508(4)	\$ 3,417,000(5)	\$ 4,255,122(6)
Value of health benefits provided after termination (7)		\$ 23,338	\$ 42,491	\$ 58,209
Modified 280G Cutback				\$ (8)
<b>Totals</b>	<b>\$ 3,348,708</b>	<b>\$ 3,905,446</b>	<b>\$ 6,026,291</b>	<b>\$ 9,591,331</b>

- (1) Upon a termination due to Disability, Mr. Mehmel is entitled to nine months salary continuation, payable in nine monthly installments. Upon a resignation for Good Reason or a termination by the Company without Cause, in each case, other than within 24 months after a Change in Control, Mr. Mehmel is entitled to 18 months salary continuation, payable in 18 monthly installments. Upon a resignation for Good Reason or a termination by the Company without Cause, in each case, within 24 months after a Change in Control, Mr. Mehmel is entitled to a lump sum payment equal to two and a half times base salary.
- (2) Upon resignation for Good Reason or termination by the Company without Cause, in each case, other than within 24 months after a Change in Control of the Company, Mr. Mehmel will receive a lump sum payment equal to one and a half times the average of the three bonuses Mr. Mehmel received in the three years prior to his assumed termination date. Upon resignation for Good Reason or termination by the Company without Cause, in each case, within 24 months after a Change in Control of the Company, Mr. Mehmel is entitled to a lump sum payment equal to two and a half times the average of the three bonuses Mr. Mehmel received in the three years prior to his assumed termination date.
- (3) Upon a termination due to death or Disability, Mr. Mehmel is entitled to receive a pro-rata bonus based on his target bonus for the year in which such termination occurs. Because the assumed termination date occurs on the

last date of the fiscal year, the bonus reflected above is his full target bonus for the fiscal year. Such amount would be paid in a lump sum. Upon a termination within 24 months after a Change in Control by Mr. Mehmel for Good Reason or by the Company without Cause, Mr. Mehmel is entitled to receive a pro-rata bonus based on the higher of Mr. Mehmel's target bonus for the year in which such termination occurs or the bonus earned for the preceding fiscal year. Because Mr. Mehmel's bonus for the preceding fiscal year exceeds his target bonus for the year in which such termination occurs and because the assumed termination date occurs on the last date of the fiscal year, the bonus reflected above is the full amount of Mr. Mehmel's bonus for the preceding fiscal year. Such amount would be paid in a lump sum.

- (4) Upon a termination due to death or Disability, (i) the restricted stock granted to Mr. Mehmel on January 30, 2014 will vest in full and (ii) with respect to the restricted stock granted to Mr. Mehmel on December 10, 2012, Mr. Mehmel will receive accelerated vesting of that portion of such award based on a fraction the numerator of which is equal to the number of days

worked by Mr. Mehmel commencing on the date of grant and ending on his assumed termination date (September 30, 2014), and the denominator of which is equal to the total number of days included in the applicable vesting period. The value provided above is calculated based on a value of \$11.39 per share, the closing price of the Company's common stock on the last trading day of the 2014 fiscal year.

- (5) Upon a resignation for Good Reason or a termination by the Company without Cause, in each case, other than within 24 months after a Change in Control, the restricted stock granted to Mr. Mehmel on December 10, 2012 will vest only if the applicable performance goals are satisfied prior to the expiration of the applicable performance period. Because the applicable performance goals with respect to such restricted stock were satisfied as of September 30, 2014, the amount included in the table above for such restricted stock is \$3,417,000, which is based on a value of \$11.39 per share, the closing price of the Company's common stock on the last trading day of the 2014 fiscal year. Because the restricted stock granted to Mr. Mehmel on January 30, 2014 will be forfeited upon a resignation for Good Reason or a termination by the Company without Cause, in each case, other than within 24 months after a Change in Control, no amount is included in the table above for such award.
- (6) Upon a resignation for Good Reason or a termination by the Company without Cause, in each case, upon a Change in Control, Mr. Mehmel's unvested restricted stock awards will vest in full. The value provided above is calculated based on a value of \$11.39 per share, the closing price of the Company's common stock on the last trading day of the 2014 fiscal year.
- (7) Mr. Mehmel and his eligible dependents will be provided health benefits (i) for nine months following his termination of employment due to Disability; (ii) for 18 months following his resignation for Good Reason or termination by the Company without Cause, in each case, other than within 24 months after a Change in Control; and (iii) until the earlier of the end of the calendar year following the second year after termination of employment and Mr. Mehmel's commencing employment with another employer in the case of a resignation for Good Reason or termination by the Company without Cause, in each case, within 24 months after a Change in Control. The amounts set forth above are based on the present value of the total estimated cost of providing such health benefits.
- (8) Mr. Mehmel's benefits and payments are subject to a modified cutback to eliminate any excise tax payable under section 4999 of the Code if the net after-tax amount (taking into account all applicable taxes payable by Mr. Mehmel) that Mr. Mehmel would receive with respect to such payments or benefits does not exceed the net after-tax amount Mr. Mehmel would receive if the amounts of such payments and benefits were reduced to the maximum amount which could otherwise be payable to Mr. Mehmel without the imposition of the excise tax. In respect of a termination occurring as of September 30, 2013, Mr. Mehmel receives a greater benefit by paying the excise tax. Accordingly, no cut-back would be imposed.

**Douglas J. Wetmore**

Benefit	Termination Due to Death	Termination Due to Disability	Resignation for Good Reason or Termination by the Company Without Cause Prior to a Change in Control	Resignation for Good Reason or Termination by the Company Without Cause After a Change in Control
Salary (1)		\$ 294,700	\$ 884,100	\$ 1,473,500
Bonus			\$ 442,050(2)	\$ 1,583,333(3)
Pro-Rata Bonus (4)	\$ 442,050	\$ 442,050		\$ 600,000
Accelerated Restricted Stock Vesting	335,242(5)	\$ 1,172,188(5)	\$ 1,025,100(6)	\$ 1,834,929(7)

Value of health benefits provided after termination (8)	\$	10,070	\$	26,633	\$	36,486
Modified 280G Cutback						(952,301)(9)
<b>Totals</b>	<b>\$</b>	<b>777,292</b>	<b>\$</b>	<b>1,919,008</b>	<b>\$</b>	<b>2,377,883</b>
					<b>\$</b>	<b>4,575,947</b>

(1) Upon a termination due to Disability, Mr. Wetmore is entitled to 6 month s salary continuation, payable in six monthly installments. Upon a resignation for Good Reason or a termination by the Company without Cause, in each case, other than within 24 months after a Change in Control, Mr. Wetmore is entitled to 18 month s salary continuation, payable in 18 monthly installments. Upon a resignation for Good Reason or a termination by the Company without Cause, in each case, within 24 months after a Change in Control, Mr. Wetmore is entitled to a lump sum payment equal to two and a half times base salary.

- (2) Upon resignation for Good Reason or termination by the Company without Cause, in each case other than within 24 months after a Change in Control of the Company, Mr. Wetmore will receive a lump sum payment equal to the greater of the bonus he would otherwise have been paid for the year in which the assumed termination date occurs and his target bonus. Mr. Wetmore would only receive a bonus in the year of termination to the extent that the applicable performance targets were attained and the Compensation Committee did not exercise its negative discretion to reduce such bonus. Accordingly, the amount included above is based only on Mr. Wetmore's target bonus, which is the minimum bonus he could receive under the circumstances. If Mr. Wetmore's \$650,000 bonus for fiscal year 2014 had been used in the calculation, the amount included above would have been \$650,000.
- (3) Upon resignation for Good Reason or termination by the Company without Cause, in each case, within 24 months after a Change in Control of the Company, Mr. Wetmore is entitled to a lump sum payment equal to two and a half times the average of the three bonuses Mr. Wetmore received in the three years prior to his assumed termination date. If the bonus awarded after September 30, 2014 in the amount of \$650,000 was also used in the calculation, the amount included above would not change.
- (4) Upon a termination due to death or Disability, Mr. Wetmore is entitled to receive a pro-rata bonus based on his target bonus for the year in which such termination occurs. Because the assumed termination date occurs on the last date of the fiscal year, the bonus reflected above is his full target bonus for the fiscal year. Such amount would be paid in a lump sum. Upon a termination within 24 months after a Change in Control by Mr. Wetmore for Good Reason or by the Company without Cause, Mr. Wetmore is entitled to receive a pro-rata bonus based on the higher of Mr. Wetmore's target bonus for the year in which such termination occurs or the bonus earned for the preceding fiscal year. Because Mr. Wetmore's bonus for the preceding fiscal year exceeds his target bonus for the year in which such termination occurs and because the assumed termination date occurs on the last date of the fiscal year, the bonus reflected above is the full amount of Mr. Wetmore's bonus for the preceding fiscal year. Such amount would be paid in a lump sum.
- (5) Upon a termination due to death or Disability, the restricted stock award granted to Mr. Wetmore on January 30, 2014 will vest in full. Upon a termination due to Disability (i) at any time with respect to the restricted stock award granted to Mr. Wetmore on February 11, 2011 and (ii) other than within 24 months following a Change in Control with respect to the restricted stock award granted to Mr. Wetmore on January 29, 2013, Mr. Wetmore will receive accelerated vesting of that portion of his award based on a fraction the numerator of which is equal to the number of days worked by Mr. Wetmore commencing on the date of grant and ending on his assumed termination date, and the denominator of which is equal to the total number of days included in the applicable vesting period. The value provided above is calculated based on a value of \$11.39 per share, the closing price of the Company's common stock on the last trading day of the 2014 fiscal year. Upon termination due to death or Disability within 24 months after a Change in Control, Mr. Wetmore's January 29, 2013 restricted stock award will vest in full.
- (6) Upon a resignation for Good Reason or a termination by the Company without Cause, in each case, other than within 24 months after a Change in Control, the restricted stock granted to Mr. Wetmore on February 11, 2011 will vest in full. The value provided above is calculated based on a value of \$11.39 per share, the closing price of the Company's common stock on the last trading day of the 2014 fiscal year. Because the restricted stock granted to Mr. Wetmore on January 29, 2013 and January 30, 2014 will be forfeited upon a resignation for Good Reason or a termination by the Company without Cause, in each case, other than within 24 months after a Change in Control, no amount is included above for such restricted stock.
- (7) Upon a resignation for Good Reason or a termination by the Company without Cause, in each case, within 24 months after a Change in Control, Mr. Wetmore's unvested restricted stock awards will vest in full. The value provided above is calculated based on a value of \$11.39 per share, the closing price of the Company's common stock on the last trading day of the 2014 fiscal year.
- (8) Mr. Wetmore and his eligible dependents will be provided health benefits (i) for six months following his termination of employment due to Disability; (ii) for 18 months following his resignation for Good Reason or termination by the Company without Cause, in each case, other than within 24 months after a Change in

Control; and (iii) until the earlier of the end of the calendar year following the second year after termination of employment and Mr. Wetmore's commencing employment with another employer in the case of a resignation for Good Reason or termination by the Company without Cause, in each case, within 24 months after a Change in Control. The amounts set forth above are based on the present value of the total estimated cost of providing such health benefits.

- (9) Mr. Wetmore's benefits and payments are subject to a modified cutback to eliminate any excise tax payable under section 4999 of the Code if the net after-tax amount (taking into account all applicable taxes payable by Mr. Wetmore) that Mr.

Wetmore would receive with respect to such payments or benefits does not exceed the net after-tax amount Mr. Wetmore would receive if the amounts of such payments and benefits were reduced to the maximum amount which could otherwise be payable to Mr. Wetmore without the imposition of the excise tax. In respect of a termination occurring as of September 30, 2014, Mr. Wetmore would receive a greater benefit by having such payments and benefits reduced rather than paying the excise tax. The amount included above (which reduces the total for the column) is the amount by which such payments and benefits must be reduced in order for Mr. Wetmore to avoid paying the excise tax.

**Seth L. Kaplan**

<b>Benefit</b>	<b>Termination Due to Death</b>	<b>Termination Due to Disability</b>	<b>Resignation for Good Reason or Termination by the Company Without Cause Prior to a Change in Control</b>	<b>Resignation for Good Reason or Termination by the Company Without Cause After a Change in Control</b>
Salary (1)		\$ 171,450	\$ 514,350	\$ 857,250
Bonus			\$ 171,450(2)	\$ 529,167(3)
Pro-Rata Bonus (4)	\$ 171,450	\$ 171,450		\$ 250,000
Accelerated Restricted Stock Vesting		\$	\$	\$ 1,587,663(5)
Value of health benefits provided after termination (6)		\$ 10,070	\$ 26,633	\$ 36,486
Modified 280G Cutback				(7)
<b>Totals</b>	<b>\$ 171,450</b>	<b>\$ 352,970</b>	<b>\$ 712,433</b>	<b>\$ 3,260,566</b>

- (1) Upon a termination due to Disability, Mr. Kaplan is entitled to six months salary continuation, payable in six monthly installments. Mr. Kaplan is entitled to continuation of base salary for 18 months following his resignation for Good Reason or termination by the Company without Cause, in each case, other than within 24 months after a Change in Control. The base salary component of severance will be paid in 18 equal monthly installments. Mr. Kaplan is entitled to a lump sum payment equal to two and a half times base salary upon his resignation for Good Reason or termination by the Company without Cause, in each case, within 24 months after a Change in Control.
- (2) Upon resignation for Good Reason or termination by the Company without Cause, in each case, other than within 24 months after a Change in Control of the Company, Mr. Kaplan will receive a lump sum payment equal to the greater of the bonus he would otherwise have been paid for the year of such termination and his target bonus. The amount of the bonus, if any, Mr. Kaplan would receive in the year of such termination is subject to the discretion of the Compensation Committee. Accordingly, the amount included above is based only on Mr. Kaplan's target bonus, which is the minimum bonus he could receive under the circumstances. If Mr. Kaplan's \$275,000 bonus for fiscal year 2014 had been used in the calculation, the amount included above would have been \$275,000.
- (3) Upon resignation for Good Reason or termination by the Company without Cause, in each case, within 24 months following a Change in Control, Mr. Kaplan is entitled to a lump sum payment equal to two and a half times the average annual bonuses paid to him in the three-year period immediately prior to such termination. If the bonus awarded after September 30, 2013 in the amount of \$275,000 were also used in the calculation, the amount included above would have been \$625,000.



- (4) Upon termination due to death or Disability, Mr. Kaplan is entitled to receive a pro-rata bonus based on his target bonus for the year in which such termination occurs. Because the assumed termination date occurs on the last date of the fiscal year, the bonus reflected above is his full target bonus for the fiscal year. Such amount would be paid in a lump sum. Upon resignation for Good Reason or termination by the Company without Cause, in each case, within 24 months after a Change in Control, Mr. Kaplan is entitled to receive a pro-rata bonus based on the greater of Mr. Kaplan's target bonus for the year in which such termination occurs or the bonus earned for the preceding fiscal year. Because Mr. Kaplan's bonus for the preceding fiscal year exceeds his target bonus for the year in which such termination occurs and because the assumed termination date occurs on the last date of the fiscal year, the bonus reflected above is the full amount of Mr. Kaplan's bonus for the preceding fiscal year. Such amount would be paid in a lump sum.
- (5) Upon termination due to death or Disability, a resignation for Good Reason or a termination by the Company without Cause, in each case, within 24 months after a Change in Control, all of Mr. Kaplan's unvested restricted stock awards will

vest in full. In each case, the amount was calculated based on a value of \$11.39 per share, the closing price of the Company's common stock on the last trading day of the 2014 fiscal year.

- (6) Mr. Kaplan and his eligible dependents will be provided health benefits (i) for six months following his termination of employment due to Disability; (ii) for 18 months following his resignation for Good Reason or termination by the Company without Cause, in each case, other than within 24 months after a Change in Control; and (iii) until the end of the calendar year following the second year after termination of employment in the case of a resignation for Good Reason or termination by the Company without Cause, in each case, within 24 months after a Change in Control. The amounts set forth above are based on the present value of the total estimated cost of providing such health benefits.
- (7) Mr. Kaplan's benefits and payments are subject to a modified cutback to eliminate any excise tax payable under section 4999 of the Code if the net-after tax amount (taking into account all applicable taxes payable by Mr. Kaplan) that Mr. Kaplan would receive with respect to such payments or benefits does not exceed the net after-tax amount Mr. Kaplan would receive if the amounts of such payments and benefits were reduced to the maximum amount which could otherwise be paid to Kaplan without the imposition of the excise tax. In respect of a termination occurring as of September 30, 2014, Mr. Kaplan receives a greater benefit by paying the excise tax. Accordingly, no cut-back would be imposed.

## Directors Compensation

In January 2013, following consultation with our independent compensation consultant, we adopted a revised director compensation program to ensure that we compensate our directors in line with market practice.

Directors who are not our employees receive an annual retainer fee of \$45,000 and a fee of \$1,500 for each Board of Directors meeting attended. Audit Committee members receive \$2,500 for each committee meeting attended and members of each other committee receive \$1,500 for each committee meeting attended. Our lead independent director receives an additional \$15,000 per annum. The chair of each of our audit, compensation, finance, and nominating and corporate governance committees receives an additional fee per annum (\$12,500, \$10,000, \$10,000 and \$5,000, respectively), and our Non-executive Chairman of the Board receives an additional \$75,000 per annum.

Upon initial election to the Board and at the time of the annual meeting of stockholders each year, each non-Employee director receives a grant of restricted shares of our common stock, which shares vest over a period of three years in equal annual installments. The number of shares is currently set at 3,333, and is subject to review from time to time.

Our stock ownership guidelines, which are described above, apply to our directors in the same manner as they apply to our executive officers. Each director is expected to acquire, within three years of the adoption of the guidelines or joining the Board (whichever is later), shares of common stock equal in value to three times the annual retainer fee. Under these guidelines, each of our directors either holds shares with a value greater than the applicable target dollar value, or we believe will own such amount of shares within the specified three year period.

The table below summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended September 30, 2014.

### Fiscal 2014 Directors Compensation

Name	Fees Earned or Paid in			Total (\$)
	Cash (\$)	Stock Awards (\$)(2)	All Other Compensation (\$)(3)	
Henry A. Alpert	74,500	45,295		119,795
Bertrand M. Bell(1)	10,500			10,500
Harvey R. Blau	130,500	45,295	865,118	1,040,913
Blaine V. Fogg	65,000	45,295		110,295
Bradley J. Gross	52,500	45,295		97,795
Rear Admiral Robert G. Harrison	64,500	45,295		109,795
General Donald J. Kutyna	52,500	45,295		97,795
General Victor E. Renuart	49,500	45,295		94,795
Kevin F. Sullivan	70,500	45,295		115,795
Martin S. Sussman	80,500	45,295		125,795
William H. Waldorf	73,500	45,295		118,795
Joseph J. Whalen	65,500	45,295		110,795

(1) Dr. Bell retired from the Board of Directors effective as of January 30, 2014.



- (2) Represents the aggregate grant date fair value of shares of restricted stock granted to the director during the applicable fiscal year, computed in accordance with FASB ASC Topic 718. The amounts in this column do not correspond to the actual value that will be realized by the director. For information regarding the assumptions made in calculating these amounts, see Note 13, Stockholders' Equity and Equity Compensation, to the consolidated financial statements, and the discussion under the heading ACCOUNTING POLICIES AND PRONOUNCEMENTS Stock-Based Compensation in Management's Discussion and Analysis of Financial Condition and Results of Operations, each included in our Annual Report on Form 10-K for the year ended September 30, 2014.

The number of outstanding shares of restricted stock held as of September 30, 2014 by each non-employee director other than Messrs. Blau, Renuart and Sullivan was 6,388. As of September 30, 2014, Mr. Blau had outstanding 36,388 shares of restricted stock; Mr. Renuart had outstanding 3,333 shares of restricted stock and Mr. Sullivan had outstanding 5,555 shares of restricted stock.

- (3) Mr. Blau is party to an agreement with the Company, dated July 1, 2001, pursuant to which Mr. Blau is obligated to consult with us and our senior executive officers regarding our businesses and operations. The consulting period was originally for a five year period expiring March 31, 2013. On February 3, 2011, we entered into an amendment with Mr. Blau that extended his consulting period to April 1, 2016. In return for such consulting services, Mr. Blau earns an annual consulting fee equal to two-thirds of his salary at the time of his retirement from his position as Chief Executive Officer of the Company (adjusted periodically for cost of living increases). During the consulting period Mr. Blau is entitled to the continuation of certain benefits he received as chief executive officer. Accordingly, the table above reflects the following: (a) a consulting fee of \$700,832; (b) expenses related to automobile use in the amount of \$68,691, which includes an amount allocated to reflect the personal use by Mr. Blau of a car and driver provided by the Company for transport to and from business appointments; (c) club dues in the amount of \$34,667; (d) \$29,981 paid by us for supplemental medical benefits; (e) \$30,287 paid by us for a term life insurance policy on Mr. Blau; and (f) Company contributions in the amounts of \$661 allocated under our ESOP as a result of dividends paid on shares previously allocated to Mr. Blau under the ESOP. We continue to maintain certain endorsement split-dollar life insurance policies for the benefit of Mr. Blau and Griffon, and accordingly paid related premiums of \$256,563 during fiscal year 2014; at such time as benefits are paid under the split-dollar life policies, Griffon is entitled to receive payment of an amount equal to the premiums paid by Griffon over the life of the policies. Under the July 1, 2001 agreement we also have an obligation to provide an insurance death benefit to Mr. Blau in the amount of \$5 million, and we maintain certain insurance policies on Mr. Blau's life, of which Griffon is the owner and beneficiary, as a means to satisfy this obligation; the cost of maintaining these policies during fiscal 2014 was \$384,573, which we satisfied through a reduction in cash surrender value of these insurance policies.

In addition, each of Messrs. Alpert, Blau, Fogg, Harrison, Kutyna, Renuart, Sullivan, Sussman, Waldorf and Whalen participate in group life and accidental death and dismemberment policies maintained by us. We pay the group premiums; the total allocated cost for each such individual is less than \$1,000 per year.

## **PROPOSAL 2 ADVISORY VOTE REGARDING EXECUTIVE COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 enables our stockholders to vote to approve, on an advisory (nonbinding) basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with applicable SEC rules.

Our compensation programs are designed to enable us to attract, motivate, reward and retain the management talent required to achieve corporate objectives, and thereby increase stockholder value. It is our policy to provide incentives to senior management to achieve both short-term and long-term objectives, to reward exceptional performance and contributions to the development of our businesses and to motivate our senior executives to balance risk and reward in the management of our businesses. Please see the section Compensation Discussion and Analysis and the related compensation tables above for additional details about our executive compensation programs, including information about the fiscal year 2014 compensation of our named executive officers.

We are asking our stockholders to indicate their support for our named executive officer compensation as described in this proxy statement. This proposal, commonly known as a say-on-pay proposal, gives our stockholders the opportunity to express their views on our named executive officers' compensation. We currently conduct an advisory vote on the compensation of our named executives annually and the next such stockholder advisory vote after our 2015 Annual Meeting will take place at our 2016 Annual Meeting. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement. Accordingly, we will ask our stockholders to vote **FOR** the following resolution at the Annual Meeting:

**RESOLVED**, that the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission.

The say-on-pay vote is advisory, and therefore not binding on the Company, the Compensation Committee or our Board of Directors. Our Board of Directors and our Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the named executive officer compensation as disclosed in this proxy statement, we will consider the results of the vote in future compensation deliberations.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR  
THE RESOLUTION APPROVING THE COMPENSATION OF OUR EXECUTIVE  
OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT**

## AUDIT COMMITTEE REPORT

As required by its written charter, which sets forth its responsibilities and duties, the Audit Committee reviewed and discussed with management our audited financial statements as of and for the year ended September 30, 2014.

The Audit Committee reviewed and discussed with representatives of Grant Thornton LLP, our independent registered public accounting firm, the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*, as amended. The Audit Committee has also received and reviewed the written disclosures and the letter from Grant Thornton LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding Grant Thornton LLP's communications with the Audit Committee concerning independence, and has discussed with Grant Thornton LLP its independence.

Based on these reviews and discussions, the Audit Committee recommended to the Board of Directors that the financial statements referred to above be included in our Annual Report on Form 10-K for the year ended September 30, 2014 for filing with the Securities and Exchange Commission.

The Audit Committee has also reviewed and discussed the fees paid to Grant Thornton LLP during the last fiscal year for audit and non-audit services, which are set forth below under *Audit and Related Fees* and has considered whether the provision of the non-audit services is compatible with maintaining Grant Thornton LLP's independence and concluded that it is.

### *The Audit Committee*

William H. Waldorf (Chairman)

Kevin F. Sullivan

Martin S. Sussman

Joseph J. Whalen

### **PROPOSAL 3 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We are asking the stockholders to ratify the Audit Committee's appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2015. The Audit Committee is directly responsible for appointing the Company's independent registered public accounting firm. Although the Company is not required to submit this matter to its stockholders for approval, the Board of Directors believes that its stockholders should have the opportunity to express their view regarding the appointment of the Company's independent registered public accounting firm. The Audit Committee is not bound by the outcome of this vote but will consider these voting results when selecting the Company's independent auditor for fiscal year 2015.

Grant Thornton LLP has audited our financial statements annually since 2006. A representative of Grant Thornton LLP is expected to be present at the Annual Meeting. The representative will have an opportunity to make a statement if he desires to do so and will be available to answer appropriate questions from stockholders.

### **AUDIT AND RELATED FEES**

#### **Audit Fees**

We were billed by Grant Thornton LLP the aggregate amount of approximately \$2,597,000 in respect of fiscal 2014 and \$2,235,000 in respect of fiscal 2013 for fees for professional services rendered for the audit of our annual financial statements and internal controls in compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and review of our financial statements included in our Forms 10-Q and other filings with the SEC.

#### **Audit-Related Fees**

We were billed by Grant Thornton LLP the aggregate amount of approximately \$234,000 in respect of fiscal 2014 for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and which are not included in the amounts listed above under Audit Fees. Grant Thornton did not bill us for any such amount in 2013. In fiscal 2014, such amounts related primarily to services rendered in connection with an issuance and sale by us of Senior Notes and an S-8 registration statement.

#### **Tax Fees**

Grant Thornton LLP did not bill us any fees for tax-related services in respect of fiscal 2014 or fiscal 2013.

#### **All Other Fees**

We were not billed by Grant Thornton LLP for any other services in fiscal 2014 or fiscal 2013 not described in the preceding paragraphs.

Our Audit Committee has determined that the services provided by Grant Thornton LLP are compatible with maintaining the independence of Grant Thornton LLP as our independent registered public accounting firm.



**Pre-Approval Policy**

Our Audit Committee has adopted a statement of principles with respect to the pre-approval of services provided by the independent registered public accounting firm. In accordance with the statement of principles, the Audit Committee determined that all non-prohibited services to be provided by the independent registered public accounting firm are to be approved in advance pursuant to a proposal from such independent registered public accounting firm and a request by management for approval.

**Vote Required**

The ratification of the appointment of Grant Thornton LLP requires the vote of a majority of the shares present in person or by proxy and entitled to vote on the matter at the Annual Meeting once a quorum is present. Abstentions will be counted and will have the same effect as a vote against the proposal.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE IN FAVOR OF THE  
RATIFICATION OF THE SELECTION OF GRANT THORNTON LLP AS  
OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

## CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

We do not have a written policy for review and approval of related party transactions required to be disclosed pursuant to Item 404(a) of Regulation S-K. However, our practice is that any such transaction be reviewed and approved by the Board of Directors or the Audit Committee, which consists entirely of independent directors.

As described above under Election of Directors, in September 2008 GS Direct, an affiliate of Goldman Sachs, acquired 10,000,000 shares of Griffon common stock pursuant to the Investment Agreement in connection with the closing of a common stock rights offering by Griffon. On December 10, 2013, pursuant to the terms of a previously announced transaction that was approved by our Board of Directors, Griffon repurchased 4,444,444 shares of common stock from GS Direct for an aggregate amount of \$50 million, or a price of \$11.25 per share. Subject to certain exceptions, if GS Direct intends to sell its remaining shares of Griffon common stock at any time prior to December 31, 2015, it will first negotiate in good faith to sell such shares to the Company. Based on a Schedule 13D filed by GS Direct and certain of its affiliates on November 14, 2014, as of such date GS Direct and certain of its affiliates held 5,819,775 shares of Griffon common stock, which equals approximately 11.0% of Griffon's outstanding common stock. Based on GS Direct's current ownership level, pursuant to the Investment Agreement GS Direct is entitled to designate one person to serve on Griffon's Board.

The Investment Agreement provides that, as long as GS Direct is entitled to nominate at least one individual to serve on Griffon's Board of Directors, Griffon will maintain a finance committee consisting of five members. Based on GS Direct's current stock ownership level, GS Direct is entitled to nominate one person to serve on the finance committee. The authority and responsibilities of the finance committee are set forth in the Investment Agreement, and are reflected in the current charter of the finance committee.

The Investment Agreement also provides that, so long as GS Direct owns 10% or more of Griffon's total common equity, subject to certain exceptions, GS Direct may not acquire additional shares, or rights or options to acquire additional shares, of Griffon common stock. However, if GS Direct's ownership percentage of Griffon common stock decreases as a result of an issuance of voting stock by Griffon, GS Direct can, subject to certain exceptions, acquire in the secondary market additional shares of Griffon's common stock in order to maintain its ownership percentage. In addition, so long as GS Direct owns 10% or more of Griffon's total common equity, subject to certain exceptions, GS Direct has agreed not to sell or transfer any of its shares of Griffon common stock except (i) to its affiliates, (ii) to persons that will own, after such transfer, less than 10% of Griffon's voting stock, or (iii) pursuant to registered underwritten offerings.

The restrictions above will not prohibit GS Direct from making an acquisition proposal directly to Griffon's Board so long as (i) in the event that Griffon's Board then determines to commence a process with respect to a potential acquisition proposal, Griffon shall permit GS Direct to participate in the process and (2) if the Board determines to accept and recommend a proposal from a party other than GS Direct that it believes is superior, GS Direct votes its shares with respect to such alternative proposal in the same proportion as all other shares are voted on such proposal.

Griffon also provided certain customary registration rights to GS Direct with respect to the shares of Griffon common stock it acquired in connection with the Investment Agreement.

An affiliate of GS Direct acted as a co-manager and an initial purchaser with respect to the sale of our 5.25% Senior Notes due 2022 in February 2014, and earned fees payable by us in the amount of \$825,000. Our Board (with Mr. Gross abstaining) approved the engagement of the GS Direct affiliate in this capacity.

A copy of the Investment Agreement is included as an exhibit to the Current Report on Form 8-K filed with the SEC on August 13, 2008, which is available from the SEC at its website at [www.sec.gov](http://www.sec.gov).

## **FINANCIAL STATEMENTS**

A copy of our Annual Report to Stockholders, including financial statements, for the fiscal year ended September 30, 2014 has been made available to all stockholders as of the Record Date. Stockholders are referred to the report for financial and other information about us, but such report is not incorporated in this proxy statement and is not a part of the proxy soliciting material.

## **MISCELLANEOUS INFORMATION**

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act, as amended, requires our executive officers, directors and persons who own more than ten percent of a registered class of our equity securities ( Reporting Persons ) to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Securities and Exchange Commission and the New York Stock Exchange. These Reporting Persons are required by SEC regulation to furnish us with copies of all Forms 3, 4 and 5 they file with the SEC and The New York Stock Exchange. Based solely upon our review of copies of the forms furnished to us and representations that no other reports were required, we believe that all Reporting Persons complied on a timely basis with all filing requirements applicable to them with respect to transactions during fiscal year 2014.

### **Matters to be Considered at the Meeting**

The Board of Directors does not intend to present to the meeting any matters not referred to in the form of proxy. If any proposal not set forth in this Proxy Statement should be presented for action at the meeting, and is a matter which should come before the meeting, it is intended that the shares represented by proxies will be voted with respect to such matters in accordance with the judgment of the persons voting them.

### **Cost of Solicitation**

The cost of soliciting proxies in the accompanying form, which we estimate to be \$50,000, will be paid by us. In addition to solicitations by mail, arrangements may be made with brokerage houses and other custodians, nominees and fiduciaries to send proxy materials to their principals, and we may reimburse them for their expenses in so doing. To the extent necessary in order to assure sufficient representation, our officers and regular employees may request the return of proxies personally, by telephone or other means. The extent to which this will be necessary depends entirely upon how promptly proxies are received, and stockholders are urged to submit their proxies without delay.

### **Delivery of Documents to Stockholders Sharing an Address**

If you are the beneficial owner, but not the record holder, of shares of Griffon stock, your broker, bank or other nominee may deliver only one copy of the Notice of Internet Availability of Proxy Materials (and this Proxy Statement and our 2014 Annual Report, if you have elected to receive paper copies) to multiple stockholders who share an address, unless that nominee has received contrary instructions from one or more of the stockholders. We will deliver promptly, upon written or oral request, a separate copy of the

Notice of Internet Availability of Proxy Materials (and of this Proxy Statement and our 2014 Annual Report, if applicable) to a stockholder at a shared address to which a single copy of the documents was delivered. A stockholder who wishes to receive a separate copy of the proxy statement and annual report, now or in the future, should submit this request in writing to American Stock Transfer and Trust Company, Proxy Fulfillment Services, 6201 15th Avenue, Brooklyn, NY 11219, or by calling (888) 776-9962. Beneficial owners sharing an address who are receiving multiple copies of proxy materials and who wish to receive a single copy of such materials in the future will need to contact their broker, bank or other nominee to request that only a single copy of each document be mailed to all shareowners at the shared address in the future.

### **Deadline for Submission of Stockholder Proposals for the 2016 Annual Meeting**

Proposals of stockholders intended to be presented at the 2016 Annual Meeting of Stockholders pursuant to SEC Rule 14a-8 must be received at our principal office not later than August 20, 2015 to be included in the proxy statement for that meeting.

In addition, our by-laws require that we be given advance notice of stockholder nominations for election to the Board of Directors and of other matters which stockholders wish to present for action at an annual meeting of stockholders. The required notice must be delivered to the Secretary of the Company at our principal offices not less than 90 days and not more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders. These requirements are separate from and in addition to the SEC requirements that a stockholder must meet in order to have a stockholder proposal included in our proxy statement.

Pursuant to our by-laws, if notice of any stockholder proposal is received prior to October 1, 2015 or after October 31, 2015, the notice will be considered untimely and we are not required to present such proposal at the 2016 Annual Meeting. If the Board of Directors chooses to present a proposal submitted prior to October 1, 2015 or after October 31, 2015 at the 2016 Annual Meeting, then the persons named in proxies solicited by the Board of Directors for the 2016 Annual Meeting may exercise discretionary voting power with respect to such proposal.

**We will provide without charge to any stockholder as of the record date copies of our Annual Report on Form 10-K, Corporate Governance Guidelines, Code of Business Conduct and Ethics and charters of any committee of the Board of Directors upon written request delivered to Seth L. Kaplan, Secretary, at our offices at 712 Fifth Avenue, 18th Floor, New York, New York 10019. These materials may also be found on our website at [www.griffoncorp.com](http://www.griffoncorp.com).**

By Order of the Board of Directors

SETH L. KAPLAN

Senior Vice President, General Counsel and Secretary

Dated: December 18, 2014

New York, New York



**GRIFFON CORPORATION  
PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS  
ANNUAL MEETING OF STOCKHOLDERS  
January 29, 2015**

**As an alternative to completing this form, you may enter your vote instruction by telephone at 1-800-PROXIES, or via the Internet at WWW.VOTEPROXY.COM and follow the simple instructions. Use the Company Number and Account Number shown on your proxy card.**

The undersigned hereby appoints RONALD J. KRAMER and SETH L. KAPLAN, or either of them, attorneys and Proxies with full power of substitution in each of them, in the name and stead of the undersigned to vote as Proxy all the stock of the undersigned in GRIFFON CORPORATION, a Delaware corporation, at the Annual Meeting of Stockholders scheduled to be held on January 29, 2015 and any postponements or adjournments thereof.

**THE SHARES REPRESENTED HEREBY SHALL BE VOTED BY PROXIES, OR ANY OF THEM, AS SPECIFIED AND, IN THEIR DISCRETION, UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING. IF NO SPECIFICATION IS MADE, THE SHARES WILL BE VOTED IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS FOR PROPOSALS 1, 2 AND 3 AND IN THE DISCRETION OF THE PROXYHOLDERS ON ANY OTHER MATTER THAT MAY PROPERLY COME BEFORE THE MEETING.**

**(Continued and to be signed on the reverse side.)**

14475

**ANNUAL MEETING OF SHAREHOLDERS OF**

**GRIFFON CORPORATION**

**January 29, 2015**

**GO GREEN**

e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy material, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via [www.amstock.com](http://www.amstock.com) to enjoy online access.

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:**

The Notice of Meeting, Proxy Statement, Proxy Card and Annual Report on Form 10-K are available at <http://www.astproxyportal.com/ast/03170>

Please sign, date and mail your proxy card in the envelope provided as soon as possible.

” Please detach along perforated line and mail in the envelope provided. ”

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**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE S**

**The Board of Directors recommends a vote FOR the election of directors.**

1. ELECTION OF THE FOLLOWING NOMINEES:

**NOMINEES:**

**The Board of Directors recommends a vote FOR the resolution approving the compensation of our executive officers as disclosed in the Proxy Statement.**

2.

FOR AGAINST ABSTAIN

**FOR ALL  
NOMINEES  
WITHHOLD  
AUTHORITY  
FOR ALL  
NOMINEES  
FOR ALL  
EXCEPT**  
(See instructions  
below)

Harvey R. Blau

Approval of the resolution approving the compensation of our executive officers as disclosed in the Proxy Statement.

**The Board of Directors recommends a vote FOR the approval of the ratification of the selection by our audit committee of Grant Thornton LLP.**

Bradley J. Gross

General Donald J.

Kutyna (USAF Ret.)

Kevin F. Sullivan

Ratification of the selection by our audit committee of Grant Thornton LLP to serve as our independent registered public accounting firm for fiscal 2015.

FOR AGAINST ABSTAIN

4. Upon such other business as may properly come before the meeting or any adjournment thereof.

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark **“FOR ALL EXCEPT”** and fill in the circle next to each nominee you wish to withhold, as shown here:

PLEASE DATE, SIGN AND RETURN THIS PROXY IN THE ENCLOSED ENVELOPE

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Shareholder      Date:      Signature of Shareholder      Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.



**ANNUAL MEETING OF SHAREHOLDERS OF  
GRIFFON CORPORATION**

**January 29, 2015**

**PROXY VOTING INSTRUCTIONS**

**INTERNET** - Access “**www.voteproxy.com**” and follow the on-screen instructions or scan the QR code with your smartphone. Have your proxy card available when you access the web page.

**TELEPHONE** - Call toll-free **1-800-PROXIES** (1-800-776-9437) in the United States or **1-718-921-8500** from foreign countries from any touch-tone telephone and follow the instructions. Have your proxy card available when you call.

Vote online/phone until 11:59 PM EST the day before the meeting.

**MAIL** - Sign, date and mail your proxy card in the envelope provided as soon as possible.

**IN PERSON** - You may vote your shares in person by attending the Annual Meeting.

**GO GREEN** - e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy material, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via [www.amstock.com](http://www.amstock.com) to enjoy online access.

**COMPANY NUMBER**  
**ACCOUNT NUMBER**

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:**

The Notice of Meeting, Proxy Statement, Proxy Card and Annual Report on Form 10-K are available at <http://www.astproxyportal.com/ast/03170>

” Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone or the Internet. ”

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**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE S**

**The Board of Directors recommends a vote FOR the election of directors.**

1. ELECTION OF THE FOLLOWING NOMINEES:

**FOR ALL NOMINEES WITHHOLD AUTHORITY FOR ALL NOMINEES FOR ALL EXCEPT**  
(See instructions below)

**NOMINEES:**

Harvey R. Blau

Bradley J. Gross  
 General Donald J. Kutyna (USAF Ret.)  
 Kevin F. Sullivan

**The Board of Directors recommends a vote FOR the resolution approving the compensation of our executive officers as disclosed in the Proxy Statement.**

2. Approval of the resolution approving the compensation of our executive officers as disclosed in the Proxy Statement.

FOR AGAINST ABSTAIN

**The Board of Directors recommends a vote FOR the approval of the ratification of the selection by our audit committee of Grant Thornton LLP.**

3. Ratification of the selection by our audit committee of Grant Thornton LLP to serve as our independent registered public accounting firm for fiscal 2015.

FOR AGAINST ABSTAIN

4. Upon such other business as may properly come before the meeting or any adjournment thereof.

**INSTRUCTIONS:** To withhold authority to vote for any individual

PLEASE DATE, SIGN AND RETURN THIS PROXY IN THE ENCLOSED ENVELOPE

nominee(s), mark **“FOR ALL EXCEPT”**  
and fill in the circle next to each nominee  
you wish to withhold, as shown here:

To change the address on your account,  
please check the box at right and indicate  
your new address in the address space  
above. Please note that changes to the  
registered name(s) on the account may  
not be submitted via this method.

Signature of Shareholder      Date:    Signature of Shareholder      Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting of**

**GRIFFON CORPORATION**

**To Be Held On:**

**January 29, 2015**

**COMPANY NUMBER  
ACCOUNT NUMBER  
CONTROL NUMBER**

**This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. We encourage you to access and review all of the important information contained in the proxy materials before voting.**

**The proxy statement and annual report to security holders are available at:  
<http://www.astproxyportal.com/ast/03170>.**

**If you want to receive a paper or e-mail copy of the proxy materials you must request one. There is no charge to you for requesting a copy. To facilitate timely delivery please make the request as instructed below before January 15, 2015.**

**Please visit <http://www.astproxyportal.com/ast/03170>, where the following materials are available for view:**

- Notice of Annual Meeting of Stockholders
- Proxy Statement
- Form of Electronic Proxy Card
- Annual Report on Form 10-K

**TO REQUEST MATERIAL: TELEPHONE: 888-Proxy-NA (888-776-9962) and  
718-921-8562 (for international callers)  
E-MAIL: [info@amstock.com](mailto:info@amstock.com)  
WEBSITE:**

<http://www.amstock.com/proxyservices/requestmaterials.asp>

**TO VOTE:**

**ONLINE:** To access your online proxy card, please visit [www.voteproxy.com](http://www.voteproxy.com) and follow the on-screen instructions or scan the QR code with your smartphone. You may enter your voting instructions at [www.voteproxy.com](http://www.voteproxy.com) up until 11:59 PM Eastern Time the day before the cut-off or meeting date.

**IN PERSON:** You may vote your shares in person by attending the Annual Meeting. The Annual Meeting will be held at the offices of Dechert LLP, 1095 Avenue of Americas, New York, NY 10036, on Thursday, January 29, 2015 at 9:00 a.m. You may obtain directions to the meeting by accessing the following website: [http://www.dechert.com/new\\_york/](http://www.dechert.com/new_york/).

**TELEPHONE:** To vote by telephone, please visit <https://secure.amstock.com/voteproxy/login2.asp> to view the materials and to obtain the toll free number to call.

**MAIL:** You may request a card by following the instructions above.

**The Board of Directors recommends a vote FOR the election of directors.**

1. ELECTION OF THE FOLLOWING NOMINEES:

**NOMINEES:** Harvey R. Blau  
Bradley J. Gross  
General Donald J. Kutyna (USAF Ret.)  
Kevin F. Sullivan

**Please note that you cannot use this notice to vote by mail.**

**The Board of Directors recommends a vote FOR the resolution approving the compensation of our executive officers as disclosed in the Proxy Statement.**

2. Approval of the resolution approving the compensation of our executive officers as disclosed in the Proxy Statement.

**The Board of Directors recommends a vote FOR the approval of the ratification of the selection by our audit committee of Grant Thornton LLP.**

3. Ratification of the selection by our audit committee of Grant Thornton LLP to serve as our independent registered public accounting firm for fiscal 2015.

4. Upon such other business as may properly come before the meeting or any adjournment thereof.