

Griffon Capital Management, Inc.

Investment Management Services

[FORM ADV, PART 2A -- BROCHURE]

This brochure provides information about the qualifications and business practice of Griffon Capital Management, Inc. (“Griffon”). If you have any questions about the contents of this brochure, please contact us at 248-828-3600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Griffon Capital Management, Inc., also is available on the SEC’s website at *www.adviserinfo.sec.gov*. The searchable IARD/CRD number for Griffon is 111879.

Griffon Capital Management, Inc., is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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Item 2 -- Material Changes

This is our first brochure prepared in accordance with the SEC’s “Uniform Requirements for the Investment Adviser Brochure and Brochure Supplements” and therefore we do not have any material changes to identify for you. When we make material changes to our brochure or to any brochure supplements, we will identify those changes under this heading.

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Item 4 -- Advisory Business

Started in 1991 as Labadie Capital Management by Barbara Labadie, the company offers investment advisory and consulting services as well as proxy voting for its clients. The company was reorganized and renamed Griffon Capital Management in 2000. At present, Dwight D. Labadie, Sr., is our principal owner. Dwight D. Labadie Jr. is Griffon’s President and Portfolio Manager.

We provide discretionary portfolio management services to our advisory clients. Portfolio decisions or recommendations are made according to the investment objectives sought by the client, the client’s risk tolerances and other client-specific circumstances. Any client-imposed investment restrictions are specified by the client in writing. We will manage portfolios that are all equity, all fixed income, or a combination of both types of securities (i.e., balanced portfolios). After comprehensive discussions with the client, we develop a portfolio reflecting an asset allocation best suited to achieve the client’s stated financial goals.

As a relationship-oriented firm, personalized service and individualized attention to client's assets are a priority. Investment decisions, security analysis, asset allocation and client communication are all done on a consultative basis to the extent the client desires. Where appropriate, we work with other client advisors on trust and estate strategies to add value for its clients.

Item 5 -- Fees and Compensation

We do not sell any financial products or charge any commissions. The advisory fees we charge are based on a percentage of assets under management and are payable quarterly in arrears for clients. Accounts opened or closed during a calendar quarter will have the fee pro-rated. We do not charge fees in advance. Fees are calculated based on the market value of the assets in the client's account on the last trading day of the quarter. We will value securities in client accounts as to match the client's custodial brokerage or bank statement. An advisory contract with us may be terminated by either party by delivery of written notice of termination to the other party.

Our standard annual fee schedule is as follows:

EQUITY and BALANCED accounts:

Up to \$1,000,000 of assets.....	1.0%
\$1,000,000 or more of assets.....	negotiable between 0.25% - 0.75%

FIXED INCOME accounts:

Up to \$10,000,000 of assets.....	0.25%
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Fees for all accounts over \$10 million are negotiated. Occasionally, we are asked to provide professional analysis of existing portfolios or to give advice on a limited basis for a fee on an hourly basis. Since each situation is different, there is no fixed fee schedule. We also provide proxy voting services for managed clients if requested to do so. Fees for this service are included in the management fee.

Item 6 -- Performance-Based Fees and Side-By-Side Management

We do not charge or accept "performance-based fees", which are fees based on a share of capital gains on, or capital appreciation of, the assets of a client.

Item 7 -- Types of Clients

We provide discretionary portfolio management services to a wide variety of clients, who may be individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations. We do not impose a minimum annual fee requirement. However, we expect that most new client accounts will have at least \$100,000; however, this may be waived or lowered for individuals who are related to other clients or to our management persons.

Item 8 -- Methods of Analysis, Investment Strategies and Risk of Loss

We provide advice and invest in individual stocks and bonds, closed-end mutual funds also known as ETF's (exchange traded funds), CD's, and publicly traded real estate(real estate

investment trusts). We typically invest in large capitalization, U.S. based companies. Investment time horizon is typically long term (over many years). Our research is independent and incorporates financial magazines, publications and papers, fundamental research, corporate ratings services, SEC filings and other pertinent sources.

Our Equity Strategy, which is managed by Dwight Labadie, Jr., involves a quantitative analysis of securities coupled with a qualitative analysis of a company's intellectual capital management, or its ability to measure, monitor and monetize intellectual capital. Part of our stock selection takes into account criteria of a company's socially responsible behavior. We attempt to outperform the S&P 500 for this strategy.

Investing in securities involves the risk of loss that a client should be prepared to bear. We do not guarantee our investment results or performance, but we do not engage in frequent trading of a client's account, which will adversely affect performance, particularly through increased brokerage and other transaction costs and taxes.

Item 9 -- Disciplinary Information

Neither our firm nor any of our management persons have been involved in any legal or disciplinary proceedings during the past 10 years that is material to a client's (or a prospective client's) evaluation of our advisory business or the integrity of our management. Specifically, there have been no criminal or civil actions involving our firm or our management persons, there have been no administrative proceedings before the United States Securities and Exchange Commission or any other foreign, federal or state regulatory agency, and there have been no proceedings by a self-regulatory organization involving our firm or any of our management persons.

Item 10 -- Other Financial Industry Activities and Affiliates

We are not registered as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing entities, nor do we have an application pending to register as any of such entities. In addition, none of our management persons are registered representatives of a broker-dealer, and none are registered as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing entities, nor do any of our management persons have an application for such registration pending.

We do not recommend or select other investment advisers for our clients, nor do we have any business relationships with any other investment advisers that would create a material conflict of interest for us.

Item 11 -- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

We have adopted a Code of Ethics that complies with SEC Rule 204A-1. This Code governs the personal securities trading activities of our "access persons", which include any owner, manager, employee or other person who provides investment advice on our behalf and who is subject to supervision and control by us. Our Code recognizes that all supervised persons owe a fiduciary

duty to our clients, including a duty to conduct their personal securities transactions in a manner that does not interfere with the transactions of a client or otherwise take unfair advantage of the relationship with a client. The Code contains specific principles of conduct, prohibits certain types of securities trading activities by an access person, requires pre-clearance for certain securities transactions by an access person and requires “access persons” to file an initial holdings report and quarterly transactions reports with our Chief Compliance Officer. A copy of our Code of Ethics will be provided to any client who requests one, without charge.

We do not buy or sell for client accounts any securities in which we or any of our “related persons” have a material financial interest. From time to time, one or more of our employees may buy or sell securities that are also held by our clients. We have a quarterly reporting system for any transactions over \$10,000 by any employee. Additionally, if stocks are traded for the account of an employee at the time of a client trade, the employee’s trade is only carried out after the client’s trade has been made; or we may include trades for an employee account or for a related person in “batch” trades that we execute for multiple clients at the same time. Batch trades are described in Item 12 below.

Item 12 -- Brokerage Practices

When we have discretionary authority to make transactions in a client’s account, the extent of that authority will be determined based on the individual written agreement with the client. Depending on the terms of the discretionary account agreement with a client, we may be given the authority to make some or all of the following determinations without obtaining the client’s prior consent, but subject to any specific restrictions or limitations requested by the client:

- which securities will be bought or sold;
- the total amount of securities to be bought or sold;
- the broker or dealer through which securities will be bought or sold; and
- the commission rates or prices at which securities transactions are to be carried out.

Selection of Brokers. For clients in need of brokerage or custodial services, we recommend various brokers. At the time of a client’s request, we will generally recommend more than one broker or bank. It is the client’s responsibility to evaluate our recommendations and make an independent choice. Our clients are not obligated to use any recommended broker or bank for custodial or brokerage services. When we select a brokerage firm for our clients we attempt to choose the one that has the capability of providing “best execution” for the client trades. In determining the ability of a broker or dealer to obtain best execution for a particular transaction we consider a number of factors, including (but not limited to) the execution capabilities necessary to the transaction, the importance of speed, efficiency and confidentiality, the broker’s apparent familiarity with sources from which or to which particular securities may be purchased or sold and the reputation and the perceived soundness of the broker or dealer. We do not make commitments to any broker or dealer to compensate that broker or dealer by placing transactions with them in exchange for client referrals.

Research and Other Soft Dollar Benefits. We do not in engage in any soft dollar arrangements.

Directed Brokerage. A client may direct us to use a particular broker or dealer to execute transactions under terms and arrangements that the client has negotiated. Where this occurs, we may not be in a position to negotiate the lowest commissions or spreads for the client, or to achieve best execution of trades. In addition, transactions for a client who has directed us to use a certain broker or dealer may not be batched for purposes of execution (see below). Accordingly, the designation by a client of a particular broker or dealer may result in higher commissions, greater spreads, or less favorable prices than might be realized if we are empowered to select a broker or dealer and negotiate for best commission.

Aggregating Transactions. From time to time we may be in the position of buying or selling the same security for a number of clients at approximately the same time. Because of market fluctuations, the prices obtained on such transactions on a single day may vary substantially. In such situations, some clients will receive prices more favorable than other clients. To more equitably allocate the effects of such market fluctuations, we may use an averaging procedure for certain transactions, under which purchases or sales of a particular security will be combined (“batched”) for all accounts trading in the same security on the same day. In such cases, the prices shown on confirmation reports for these purchases or sales will be the average execution price for the batch. In certain situations, batched orders entered may not be completely filled, and in such event we will pro-rate the completed portion of the order to ensure that all clients participating in the batched order will receive an allocated portion of the completed transaction.

Item 13 -- Review of Accounts

Investment reviews of accounts by our portfolio manager take place on a steady (almost daily) basis. Complete reviews are made at least monthly during account reconciliation with the custodial statement. Whenever pertinent factors change, such as the financial needs of a client, securities prices, developments in the companies held in an account, market fluctuations, and so forth, the account will be surveyed. Client accounts are reviewed by Dwight Labadie, Jr., our President.

Monthly brokerage statements and duplicate transaction confirmations are provided to each client by the client’s broker/custodian. We also provide each client with a quarterly account statement showing the investments held in the account, their cost basis, their current market value, income and expenses from the account, including Griffon’s fees. We also include charts showing portfolio composition and account performance relative to market performance over various time frames. Clients are encouraged to carefully review our quarterly reports, ask questions and provide feedback to how they are feeling about their finances.

Item 14 -- Client Referrals and Other Compensation

We do not enter into arrangements with individuals to solicit and refer prospects to us for a fee.

Item 15 -- Custody

We do not hold custody of any client funds or securities. While we normally provide our clients with quarterly statements of their account’s status and performance, we encourage our clients to compare the information contained in the statements we provide with the information that each client receives from the custodian of their account.

Item 16 -- Investment Discretion

When a client desires to provide us with complete authority to select which securities will be bought or sold and the total amount of securities to be bought or sold per the investment account agreement. Clients may place limitations on our powers, including limitations related to specific investment objectives or policies or limitations requiring some form of prior notice before we are allowed to execute transactions. Any discretionary authority may be limited or terminated by a client at any time with written notice.

Item 17 -- Voting Client Securities

Our typical investment management agreement with individual clients provides that the client will vote any proxies that are solicited, and we normally do not have discretion or authority to vote proxies. However, institutional clients often grant us the authority and discretion to vote proxies solicited by companies held in their portfolios, and in such situations we follow their specific direction or beliefs on how proxies should be voted. If situations should arise where the interests of a client may possibly conflict with the interests of ours with respect to any shareholder proposals for which proxies are being solicited, we will place the client's interests first. We will make information about how client's proxies were voted upon the client's written or oral request.

Item 18 -- Financial Information

We are not required to include in this brochure our balance sheet for the most recent fiscal year, because we do not require or solicit prepayment of \$500 or more in fees six or more months in advance. We are not aware of any financial condition that would impair our ability to meet our contractual commitments to our clients. Neither our firm nor any of our management persons have been the subject of a bankruptcy petition at any time during the past 10 years.

Item 19 -- Requirements for State-Registered Advisers

Our only executive officer and management person is Dwight D. Labadie, Jr. Mr. Labadie earned a Bachelor of Science in Business Administration from Grand Valley State University in 1990. He has been employed by Griffon Capital Management since 1998 and has served as its President since March 2003. Mr. Labadie, Jr., has passed the FINRA Series 65 examination and is registered as an Investment Adviser Representative with the State of Michigan.

Mr. Labadie, Jr. has never been found liable in any arbitration claims or proceedings, or in any civil, self-regulatory or administrative proceeding involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.