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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

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

FOR THE QUARTERLY PERIOD ENDED August 31, 2016

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

FOR THE TRANSITION PERIOD FROM                      TO

Commission File No. 1-12879

**GRIFFIN INDUSTRIAL REALTY, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**06-0868496**

(IRS Employer Identification Number)

**641 Lexington Avenue, New York, New York**

(Address of principal executive offices)

**10022**

(Zip Code)

Registrant's Telephone Number including Area Code **(212) 218-7910**

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Number of shares of Common Stock outstanding at September 30, 2016: 5,092,708

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GRIFFIN INDUSTRIAL REALTY, INC.

FORM 10-Q

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**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

GRIFFIN INDUSTRIAL REALTY, INC.  
 Consolidated Balance Sheets  
 (dollars in thousands, except per share data)  
 (unaudited)

	<u>Aug. 31, 2016</u>	<u>Nov. 30, 2015</u>
<b>ASSETS</b>		
Real estate assets at cost, net	\$ 173,995	\$ 166,455
Real estate held for sale	1,587	1,418
Cash and cash equivalents	13,960	18,271
Deferred income taxes	7,005	5,838
Available for sale securities - Investment in Centaur Media plc	1,058	1,970
Other assets	17,928	15,349
<b>Total assets</b>	<u>\$ 215,533</u>	<u>\$ 209,301</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Mortgage loans	\$ 99,838	\$ 90,436
Deferred revenue	10,618	10,790
Accounts payable and accrued liabilities	3,987	3,348
Dividend payable	—	1,546
Other liabilities	10,582	8,372
<b>Total liabilities</b>	<u>125,025</u>	<u>114,492</u>
<b>Commitments and Contingencies (Note 9)</b>		
<b>Stockholders' Equity</b>		
Common stock, par value \$0.01 per share, 10,000,000 shares authorized, 5,541,029 shares issued and 5,092,708 and 5,152,708 shares outstanding, respectively	55	55
Additional paid-in capital	108,373	108,188
Retained earnings	354	1,117
Accumulated other comprehensive loss, net of tax	(2,857)	(1,085)
Treasury stock, at cost, 448,321 and 388,321 shares, respectively	(15,417)	(13,466)
<b>Total stockholders' equity</b>	<u>90,508</u>	<u>94,809</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 215,533</u>	<u>\$ 209,301</u>

See Notes to Consolidated Financial Statements.

GRIFFIN INDUSTRIAL REALTY, INC.  
Consolidated Statements of Operations  
(dollars in thousands, except per share data)  
(unaudited)

	<u>For the Three Months Ended</u>		<u>For the Nine Months Ended</u>	
	<u>Aug. 31, 2016</u>	<u>Aug. 31, 2015</u>	<u>Aug. 31, 2016</u>	<u>Aug. 31, 2015</u>
Rental revenue	\$ 6,514	\$ 6,608	\$ 19,998	\$ 17,966
Revenue from property sales	751	1,576	473	2,647
Total revenue	<u>7,265</u>	<u>8,184</u>	<u>20,471</u>	<u>20,613</u>
Operating expenses of rental properties	1,982	2,125	6,140	6,410
Depreciation and amortization expense	2,226	1,923	6,540	5,627
Costs related to property sales	193	162	193	484
General and administrative expenses	1,775	1,333	5,435	5,191
Total expenses	<u>6,176</u>	<u>5,543</u>	<u>18,308</u>	<u>17,712</u>
Operating income	1,089	2,641	2,163	2,901
Interest expense	(1,162)	(801)	(3,315)	(2,645)
Gain on sale of assets	—	—	122	—
Investment income	—	6	62	111
(Loss) income before income tax benefit (provision)	<u>(73)</u>	<u>1,846</u>	<u>(968)</u>	<u>367</u>
Income tax benefit (provision)	24	(643)	205	(106)
Net (loss) income	<u>\$ (49)</u>	<u>\$ 1,203</u>	<u>\$ (763)</u>	<u>\$ 261</u>
Basic net (loss) income per common share	<u>\$ (0.01)</u>	<u>\$ 0.23</u>	<u>\$ (0.15)</u>	<u>\$ 0.05</u>
Diluted net (loss) income per common share	<u>\$ (0.01)</u>	<u>\$ 0.23</u>	<u>\$ (0.15)</u>	<u>\$ 0.05</u>

See Notes to Consolidated Financial Statements.

GRIFFIN INDUSTRIAL REALTY, INC.  
 Consolidated Statements of Comprehensive Income (Loss)  
 (dollars in thousands)  
 (unaudited)

	<u>For the Three Months Ended</u>		<u>For the Nine Months Ended</u>	
	<u>Aug. 31, 2016</u>	<u>Aug. 31, 2015</u>	<u>Aug. 31, 2016</u>	<u>Aug. 31, 2015</u>
Net (loss) income	\$ (49)	\$ 1,203	\$ (763)	\$ 261
Other comprehensive (loss) income, net of tax:				
Reclassifications included in net (loss) income	219	189	646	557
(Decrease) increase in fair value of Centaur Media plc	(254)	123	(593)	414
Unrealized loss on cash flow hedges	(710)	(54)	(1,825)	(512)
Total other comprehensive (loss) income, net of tax	(745)	258	(1,772)	459
Total comprehensive (loss) income	<u>\$ (794)</u>	<u>\$ 1,461</u>	<u>\$ (2,535)</u>	<u>\$ 720</u>

See Notes to Consolidated Financial Statements.

GRIFFIN INDUSTRIAL REALTY, INC.  
Consolidated Statements of Changes in Stockholders' Equity  
For the Nine Months Ended August 31, 2016 and August 31, 2015  
(dollars in thousands)  
(unaudited)

	Shares of Common Stock Issued	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at November 30, 2014	5,537,895	\$ 55	\$ 107,887	\$ 2,238	\$ (835)	\$ (13,466)	\$ 95,879
Stock-based compensation	—	—	192	—	—	—	192
Exercise of stock options	3,134	—	80	—	—	—	80
Net income	—	—	—	261	—	—	261
Total other comprehensive income, net of tax	—	—	—	—	459	—	459
Balance at August 31, 2015	<u>5,541,029</u>	<u>\$ 55</u>	<u>\$ 108,159</u>	<u>\$ 2,499</u>	<u>\$ (376)</u>	<u>\$ (13,466)</u>	<u>\$ 96,871</u>
Balance at November 30, 2015	5,541,029	\$ 55	\$ 108,188	\$ 1,117	\$ (1,085)	\$ (13,466)	\$ 94,809
Stock-based compensation	—	—	185	—	—	—	185
Repurchase of common stock	—	—	—	—	—	(1,951)	(1,951)
Net loss	—	—	—	(763)	—	—	(763)
Total other comprehensive loss, net of tax	—	—	—	—	(1,772)	—	(1,772)
Balance at August 31, 2016	<u>5,541,029</u>	<u>\$ 55</u>	<u>\$ 108,373</u>	<u>\$ 354</u>	<u>\$ (2,857)</u>	<u>\$ (15,417)</u>	<u>\$ 90,508</u>

See Notes to Consolidated Financial Statements.

GRIFFIN INDUSTRIAL REALTY, INC.  
Consolidated Statements of Cash Flows  
(dollars in thousands)  
(unaudited)

	<b>For the Nine Months Ended</b>	
	<b>Aug. 31, 2016</b>	<b>Aug. 31, 2015</b>
<b>Operating activities:</b>		
Net (loss) income	\$ (763)	\$ 261
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	6,540	5,627
Gain on sales of properties	(280)	(2,163)
Deferred income taxes	(154)	106
Stock-based compensation expense	185	192
Amortization of debt issuance costs	222	174
Gain on sale of assets	(122)	—
Accretion of discount on note receivable	—	(49)
Changes in assets and liabilities:		
Other assets	(3,065)	(631)
Accounts payable and accrued liabilities	346	442
Deferred revenue	301	5,478
Other liabilities	337	477
Net cash provided by operating activities	<u>3,547</u>	<u>9,914</u>
<b>Investing activities:</b>		
Additions to real estate assets	(13,365)	(26,461)
Deferred leasing costs and other	(564)	(836)
Proceeds from collection of note receivable	—	1,500
Proceeds from sales of properties, net of expenses	—	400
Net cash used in investing activities	<u>(13,929)</u>	<u>(25,397)</u>
<b>Financing activities:</b>		
Proceeds from debt	18,800	28,891
Payments of debt	(9,398)	(19,531)
Repurchase of common stock	(1,951)	—
Dividends paid to stockholders	(1,546)	(1,030)
Mortgage proceeds held in escrow	600	(3,125)
Debt issuance costs	(434)	(511)
Exercise of stock options	—	80
Net cash provided by financing activities	<u>6,071</u>	<u>4,774</u>
Net decrease in cash and cash equivalents	(4,311)	(10,709)
Cash and cash equivalents at beginning of period	18,271	17,059
Cash and cash equivalents at end of period	<u>\$ 13,960</u>	<u>\$ 6,350</u>

See Notes to Consolidated Financial Statements.

GRIFFIN INDUSTRIAL REALTY, INC.  
Notes to Consolidated Financial Statements  
(dollars in thousands unless otherwise noted, except per share data)  
(unaudited)

1. Summary of Significant Accounting Policies

*Basis of Presentation*

Griffin Industrial Realty, Inc. ("Griffin") is a real estate business principally engaged in developing, managing and leasing industrial and, to a lesser extent, commercial properties. Periodically, Griffin may also sell certain portions of its undeveloped land that it has owned for an extended time period and the use of which is not consistent with Griffin's core development and leasing strategy. These financial statements have been prepared in conformity with the standards of accounting measurement set forth by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 270, "Interim Reporting" and in accordance with the accounting policies stated in Griffin's audited consolidated financial statements for the fiscal year ended November 30, 2015 ("fiscal 2015") included in Griffin's Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC") on February 12, 2016. These financial statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing in that report. All adjustments, comprising only normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods, have been reflected and all intercompany transactions have been eliminated. The consolidated balance sheet data as of November 30, 2015 was derived from Griffin's audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America ("U.S. GAAP").

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the reporting period. Griffin regularly evaluates estimates and assumptions related to the useful life and recoverability of long-lived assets, stock-based compensation expense, deferred income tax asset valuations, valuation of derivative instruments and the estimated costs to complete required offsite improvements related to land sold. Griffin bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by Griffin may differ materially and adversely from Griffin's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

As of August 31, 2016, Griffin was a party to several interest rate swap agreements to hedge its interest rate exposure. Griffin does not use derivatives for speculative purposes. Griffin applies FASB ASC 815, "Derivatives and Hedging," ("ASC 815") as amended, which establishes accounting and reporting standards for derivative instruments and hedging activities. ASC 815 requires Griffin to recognize all derivatives as either assets or liabilities on its consolidated balance sheet and measure those instruments at fair value. The changes in the fair values of the interest rate swap agreements are measured in accordance with ASC 815 and reflected in the carrying values of the interest rate swap agreements on Griffin's consolidated balance sheet. The estimated fair values are based primarily on projected future swap rates.

Griffin applies cash flow hedge accounting to its interest rate swap agreements that are designated as hedges of the variability of future cash flows from floating rate liabilities based on the benchmark interest rates. Changes in the fair values of Griffin's interest rate swap agreements are recorded as components of accumulated other comprehensive income (loss) in stockholders' equity to the extent they are effective. Any ineffective portions of the changes in fair values of these instruments would be recorded as interest expense or interest income.

The results of operations for the three months ended August 31, 2016 (the "2016 third quarter") and the nine months ended August 31, 2016 (the "2016 nine month period") are not necessarily indicative of the results to be expected for the full year. The three and nine months ended August 31, 2015 are referred to herein as the "2015 third quarter" and "2015 nine month period," respectively.

Prior to May 13, 2015, Griffin was known as Griffin Land & Nurseries, Inc. On May 13, 2015, Griffin changed its name to better reflect its ongoing real estate business after Griffin sold the growing operations of its wholly-owned subsidiary in the landscape nursery business, Imperial Nurseries, Inc. (“Imperial”), to Monrovia Connecticut LLC (“Monrovia”) in the fiscal 2014 first quarter and entered into a long-term lease of Imperial’s Connecticut farm to Monrovia.

*Recent Accounting Pronouncements*

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, “Leases,” which establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. The accounting applied by lessors under this Update is largely unchanged from that applied under current U.S. GAAP. Leases will be either classified as finance or operating, with classification affecting the pattern of expense recognition in the income statement. This Update also requires significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. This Update will become effective for Griffin in fiscal 2020 using a modified restatement approach for leases in effect as of and after the date of adoption. Early adoption and practical expedients to measure the effect of adoption will also be allowed. Griffin is evaluating the impact that the application of this Update will have on its consolidated financial statements.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, “Financial Instruments - Overall,” which requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). This Update also requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. This Update eliminates the requirement for an entity to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. In addition, entities must assess the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. This Update will be effective for Griffin in fiscal 2019. Early adoption is permitted for certain provisions. Upon adoption, changes in the fair value of Griffin's available-for-sale securities will be recognized through net income.

In August 2015, the FASB issued Accounting Standards Update No. 2015-15, “Interest-Imputation of Interest: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting,” which addresses line-of-credit arrangements that were omitted from Accounting Standards Update No. 2015-03 (see below). This Update states that the SEC staff would not object to an entity deferring and presenting debt issuance costs related to a line-of-credit arrangement as an asset and subsequently amortizing those costs ratably over the term of the arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The adoption of this Update is not expected to have a material impact on Griffin's financial statements.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, “Interest-Imputation of Interest,” which requires that debt issuance costs related to a recognized liability be presented in the balance sheet as a direct reduction from the carrying amount of the associated debt liability, consistent with debt discounts. This Update must be applied on a retrospective basis and will be effective for Griffin in fiscal 2017. Early adoption is permitted. The adoption of this Update is not expected to have a material impact on Griffin's financial position or results of operations.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers,” which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. This standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Additionally, the Update requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized. The Update permits the use of either the retrospective or cumulative effect transition method. This Update will be effective for Griffin in fiscal 2019 and early adoption is not permitted. Certain aspects of this new standard may affect revenue recognition of Griffin. Griffin is evaluating the impact that the application of this Update will have on its consolidated financial statements.

## 2. Fair Value

Griffin applies the provisions of FASB ASC 820, “Fair Value Measurement” (“ASC 820”), which establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset’s or liability’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 establishes three levels of inputs that may be used to measure fair value, as follows:

Level 1 applies to assets or liabilities for which there are quoted market prices in active markets for identical assets or liabilities. Griffin’s available-for-sale securities are considered Level 1 within the fair value hierarchy.

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, such as quoted prices for similar assets or liabilities in active markets; quoted prices for assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data. Level 2 liabilities include Griffin’s interest rate swap derivatives (see Note 5). These inputs are readily available in public markets or can be derived from information available in publicly quoted markets; therefore, Griffin has categorized these derivative instruments as Level 2 within the fair value hierarchy.

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

During the 2016 nine month period, Griffin did not transfer any assets or liabilities into or out of Levels 1 or 2. The following are Griffin’s financial assets and liabilities carried at fair value and measured at fair value on a recurring basis:

	August 31, 2016		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities	\$ 1,058	\$ —	\$ —
Interest rate swap liabilities	\$ —	\$ 4,639	\$ —
	November 30, 2015		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities	\$ 1,970	\$ —	\$ —
Interest rate swap liabilities	\$ —	\$ 2,766	\$ —

The carrying and estimated fair values of Griffin's financial instruments are as follows:

	Fair Value Hierarchy Level	August 31, 2016		November 30, 2015	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<b>Financial assets:</b>					
Cash and cash equivalents	1	\$ 13,960	\$ 13,960	\$ 18,271	\$ 18,271
Marketable equity securities	1	1,058	1,058	1,970	1,970
<b>Financial liabilities:</b>					
Mortgage loans	2	\$ 99,838	\$ 101,349	\$ 90,436	\$ 91,406
Interest rate swap liabilities	2	4,639	4,639	2,766	2,766

The amounts included in the financial statements for cash and cash equivalents, leasing receivables and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments. The fair value of the available-for-sale securities is based on quoted market prices. The fair values of the mortgage loans are estimated based on current rates offered to Griffin for similar debt of the same remaining maturities and, additionally, Griffin considers its credit worthiness in determining the fair value of its mortgage loans. The fair values of the interest rate swaps (used for purposes other than trading) are determined based on discounted cash flow models that incorporate the cash flows of the derivatives as well as the current OIS rate and swap curve along with other market data, taking into account current interest rates and the credit worthiness of the counterparty for assets and the credit worthiness of Griffin for liabilities.

### 3. Real Estate Assets

Real estate assets, net consist of:

	Estimated Useful Lives	Aug. 31, 2016	Nov. 30, 2015
Land		\$ 17,989	\$ 18,157
Land improvements	10 to 30 years	27,486	22,440
Buildings and improvements	10 to 40 years	163,438	149,111
Tenant improvements	Shorter of useful life or terms of related lease	21,498	19,611
Machinery and equipment	3 to 20 years	11,022	11,810
Construction in progress		1,446	10,240
Development costs		16,156	15,870
		259,035	247,239
Accumulated depreciation		(85,040)	(80,784)
		<u>\$ 173,995</u>	<u>\$ 166,455</u>

Total depreciation expense and capitalized interest related to real estate assets were as follows:

	For the Three Months Ended		For the Nine Months Ended	
	Aug. 31, 2016	Aug. 31, 2015	Aug. 31, 2016	Aug. 31, 2015
Depreciation expense	\$ 1,974	\$ 1,619	\$ 5,756	\$ 4,765
Capitalized interest	\$ 57	\$ 290	\$ 274	\$ 657

In the fiscal 2013 fourth quarter, Griffin completed the sale of approximately 90 acres of undeveloped land for \$8,968 in cash, before transaction costs (the "Windsor Land Sale"). The land sold is located in Windsor, Connecticut and is part of an approximately 253 acre parcel of undeveloped land that straddles the town line between Windsor and Bloomfield, Connecticut. Under the terms of the Windsor Land Sale, Griffin and the buyer were each required to construct roadways connecting the land parcel sold with existing town roads. The roads constructed by the buyer and the road being constructed by Griffin will become new town roads, thereby providing public access to the remaining acreage in Griffin's land parcel. As a result of Griffin's continuing involvement with the land sold, the Windsor Land Sale is

being accounted for under the percentage of completion method. Accordingly, the revenue and pretax gain on the sale are being recognized on a pro rata basis in a ratio equal to the percentage of the total costs incurred to the total anticipated costs of sale, including costs of the required roadwork. Costs included in determining the percentage of completion include the cost of the land sold, allocated master planning costs and the cost of road construction.

As of August 31, 2016, approximately 97% of the total costs related to the Windsor Land Sale have been incurred; therefore, from the date of the Windsor Land Sale through August 31, 2016, approximately 97% of the total revenue and pretax gain on the sale have been recognized in Griffin's consolidated statements of operations. In the 2016 second quarter, Griffin increased its estimate of the total costs to complete the required road improvements attributed to the Windsor Land Sale by \$79, based upon changes received from the state of Connecticut's Department of Transportation in the 2016 second quarter that increased the scope of roadwork required to be completed by Griffin. The effect of the estimated additional roadwork cost is expected to reduce the estimated total pretax gain on the Windsor Land Sale from approximately \$6,765 to approximately \$6,686 after all costs are incurred. From the time the Windsor Land Sale closed in fiscal 2013 through August 31, 2016, Griffin's consolidated statements of operations reflected total revenue of \$8,729 and a total pretax gain of \$6,508 from the Windsor Land Sale. Griffin's consolidated statements of operations for the 2015 third quarter and 2015 nine month period included revenue of \$1,176 and \$2,247, respectively, and a pretax gain of \$1,014 and \$1,763, respectively, from the Windsor Land Sale. The balance of the revenue and pretax gain on sale will be recognized when the remaining costs are incurred, which is expected to be in the fourth quarter of fiscal 2016. Deferred revenue on Griffin's consolidated balance sheet as of August 31, 2016 includes \$239 related to the Windsor Land Sale that will be recognized as the remaining costs are incurred. While management has used its best estimates, based on industry knowledge and experience, in projecting the total costs of the required roadways being constructed, increases or decreases in future costs as compared with current estimated amounts would reduce or increase the gain recognized in future periods.

Real estate assets held for sale consist of:

	<u>Aug. 31, 2016</u>	<u>Nov. 30, 2015</u>
Land	\$ 246	\$ 78
Development costs	1,341	1,340
	<u>\$ 1,587</u>	<u>\$ 1,418</u>

#### 4. Investment in Centaur Media plc

As of August 31, 2016, Griffin held 1,952,462 shares of common stock in Centaur Media plc ("Centaur Media"). Griffin's investment in the common stock of Centaur Media is accounted for as an available-for-sale security under ASC 320, "Investments – Debt and Equity Securities." Accordingly, changes in the fair value of Centaur Media, reflecting both changes in the stock price and changes in the foreign currency exchange rate, are included, net of income taxes, in accumulated other comprehensive loss (see Note 7). Griffin did not sell any of its Centaur Media common stock in the 2016 nine month period or in the 2015 nine month period.

The fair value, cost and unrealized gain of Griffin's investment in Centaur Media are as follows:

	<u>Aug. 31, 2016</u>	<u>Nov. 30, 2015</u>
Fair value	\$ 1,058	\$ 1,970
Cost	1,014	1,014
Unrealized gain	<u>\$ 44</u>	<u>\$ 956</u>

## 5. Mortgage Loans

Griffin's mortgage loans, which are nonrecourse, consist of:

	<u>Aug. 31, 2016</u>	<u>Nov. 30, 2015</u>
Variable rate, due October 2, 2017 *	\$ 6,081	\$ 6,217
Variable rate, due February 1, 2019 *	10,389	10,610
Variable rate, due August 1, 2019 *	—	7,501
Variable rate, due January 27, 2020 *	3,637	3,729
Variable rate, due January 2, 2025 *	20,869	19,385
Variable rate, due September 1, 2025 *	13,809	11,457
Variable rate, due May 1, 2026 *	14,269	—
5.09%, due July 1, 2029	7,099	7,385
5.09%, due July 1, 2029	5,984	6,226
4.33%, due August 1, 2030	17,701	17,926
Total nonrecourse mortgage loans	<u>\$ 99,838</u>	<u>\$ 90,436</u>

\*Griffin entered into interest rate swap agreements effectively to fix the interest rates on these loans (see below).

On April 26, 2016, Griffin closed on a nonrecourse mortgage (“the 2016 PUB Mortgage”) with People’s United Bank, N.A. (“PUB”) for \$14,350, before transaction costs. The 2016 PUB Mortgage refinanced an existing mortgage (the “2009 PUB Mortgage”) with PUB that was due on August 1, 2019 and was collateralized by four industrial/warehouse buildings totaling approximately 240,000 square feet (14, 15, 16 and 40 International Drive) in New England Tradeport (“NE Tradeport”), Griffin’s industrial park located in Windsor and East Granby, Connecticut. The 2009 PUB Mortgage had a balance of \$7,418 at the time of the refinancing and a variable interest rate of the one month LIBOR rate plus 3.08%. At the time Griffin completed the 2009 PUB Mortgage, Griffin entered into an interest rate swap agreement with PUB to effectively fix the rate on the 2009 PUB Mortgage at 6.58% for the term of that loan. The 2016 PUB Mortgage is collateralized by the same four properties that collateralized the 2009 PUB Mortgage along with another approximately 98,000 square foot industrial/warehouse building (35 International Drive) in NE Tradeport. At the closing of the 2016 PUB Mortgage, Griffin received net mortgage proceeds of \$6,932 (before transaction costs), which was net of the \$7,418 used to repay the 2009 PUB Mortgage. The 2016 PUB Mortgage has a ten year term with monthly principal payments based on a twenty-five year amortization schedule. The interest rate for the 2016 PUB Mortgage is a floating rate of the one month LIBOR rate plus 2.0%. At the time the 2016 PUB Mortgage closed, Griffin entered into another interest rate swap agreement with PUB that, combined with the existing interest rate swap agreement with PUB, effectively fixes the interest rate of the 2016 PUB Mortgage at 4.17% over the term of the loan. The terms of the 2016 PUB Mortgage require that if either the tenant that leases approximately 58,000 square feet in 40 International Drive or the tenant that leases approximately 40,000 square feet in 14 International Drive does not extend its respective lease when it expires in fiscal 2021, a subsidiary of Griffin will enter into a master lease of the vacated space. The master lease would be guaranteed by Griffin and be in effect until either the vacated space is re-leased to a new tenant or the due date of the 2016 PUB Mortgage Loan, whichever occurs first.

On December 10, 2015, Griffin received proceeds of \$2,600 (the “Webster Earn-Out”) related to the mortgage (the “2015 Webster Mortgage”) obtained by one of its subsidiaries with Webster Bank, N.A (“Webster Bank”) on its property at 5220 Jandl Boulevard (“5220 Jandl”), an approximately 280,000 square foot industrial/warehouse building in the Lehigh Valley of Pennsylvania. The 2015 Webster Mortgage closed on September 1, 2015, at which time initial proceeds of \$11,500 (before transaction costs) were received. At the time of the mortgage closing, Griffin had leased approximately 196,000 square feet of 5220 Jandl. The Webster Earn-Out was subsequently received by Griffin when the tenant that leased that space exercised its option to lease the balance of the building. Griffin agreed that it would enter into a master lease with its subsidiary that owns 5220 Jandl should the lease at 5220 Jandl expire and not be renewed. The master lease would be co-terminus with the 2015 Webster Mortgage. The 2015 Webster Mortgage has a ten year term with monthly principal payments based on a twenty-five year amortization schedule. The interest rate for the 2015 Webster Mortgage is a floating rate of the one month LIBOR rate plus 1.65%. At the time the 2015 Webster Mortgage closed, Griffin also entered into an interest rate swap agreement with Webster Bank for a notional principal amount of \$11,500 at inception to fix the interest rate at 3.77% on the initial funds advanced under the 2015 Webster Mortgage. At the time the Webster Earn-Out was received, Griffin entered into another interest rate swap agreement with Webster Bank for a notional principal amount of \$2,600 to fix the interest rate on the Webster Earn-Out at 3.67%.

The two interest rate swap agreements effectively fix the interest rate on the 2015 Webster Mortgage at 3.75% over the remainder of the mortgage loan's ten year term. On September 13, 2016, Griffin and Webster Bank agreed to terms on a refinancing of the 2015 Webster Mortgage that would increase the loan amount up to an additional \$13,000 and add 5210 Jaiindl Boulevard ("5210 Jaiindl") to the mortgage collateral, subject to entry into definitive agreements. The refinanced loan would have a new ten year term with principal payments based on a twenty-five year amortization schedule, and interest at the one month LIBOR rate plus 1.70%. Griffin expects to enter into a new interest rate swap agreement with Webster Bank that, when combined with the existing interest rate swap agreements related to the 2015 Webster Mortgage, would fix the rate on the entire balance of the refinanced mortgage loan for its full term. There is no guarantee that the refinancing of the 2015 Webster Mortgage will be completed in accordance with the current terms, or at all.

On December 11, 2015, Griffin received proceeds of \$1,850 (the "First Niagara Earn-Out") related to the mortgage obtained by two of its subsidiaries with First Niagara Bank (the "2025 First Niagara Mortgage") on its properties at 4270 Fritch Drive ("4270 Fritch") and 4275 Fritch Drive ("4275 Fritch") in the Lehigh Valley. The 2025 First Niagara Mortgage closed on December 31, 2014, at which time proceeds of \$10,891 (before transaction costs) were received, in addition to \$8,859 used to refinance the existing mortgage on 4275 Fritch with First Niagara Bank. The 2025 First Niagara Mortgage is collateralized by 4270 Fritch, an approximately 303,000 square foot industrial/warehouse building, and 4275 Fritch, an adjacent approximately 228,000 square foot industrial/warehouse building in Lower Nazareth, Pennsylvania. At the time of the mortgage closing, approximately 201,000 square feet of 4270 Fritch was leased. The First Niagara Earn-Out was subsequently received by Griffin when the remaining vacant space of approximately 102,000 square feet was leased. Griffin agreed to enter into a master lease with its subsidiaries that own 4270 Fritch and 4275 Fritch in order to maintain a minimum net rent equal to the debt service on the 2025 First Niagara Mortgage. The master lease would be co-terminus with the 2025 First Niagara Mortgage. The 2025 First Niagara Mortgage has a ten year term with monthly principal payments based on a twenty-five year amortization schedule. The interest rate for the 2025 First Niagara Mortgage is a floating rate of the one month LIBOR rate plus 1.95%. At the time the 2025 First Niagara Mortgage closed, Griffin entered into an interest rate swap agreement with First Niagara Bank that, combined with an existing interest rate swap agreement with First Niagara Bank, effectively fixed the rate of the 2025 First Niagara Mortgage at 4.43% over the mortgage loan's ten year term. At the time the First Niagara Earn-Out was received, Griffin entered into another interest rate swap agreement with First Niagara Bank for a notional principal amount of \$1,850 to fix the interest rate on the First Niagara Earn-Out at 3.88%. The combination of the three interest rate swap agreements effectively fixes the interest rate on the 2025 First Niagara Mortgage at 4.39% over the remainder of the mortgage loan's ten year term.

On July 29, 2015, a subsidiary of Griffin closed on a new nonrecourse mortgage with 40|86 Mortgage Capital, Inc. ("the 40|86 Mortgage") for \$18,000. The 40|86 Mortgage refinanced an existing 5.73% nonrecourse mortgage which was due on August 1, 2015 and was collateralized by three industrial/warehouse buildings totaling approximately 392,000 square feet ("75 International," "754 Rainbow" and "758 Rainbow") in NE Tradeport. The 40|86 Mortgage is collateralized by the same three properties. Griffin received proceeds of \$14,875 at closing (before transaction costs), which were applied to the payoff of the maturing 5.73% nonrecourse mortgage of \$17,891. The remaining \$3,125 of loan proceeds was placed in escrow at closing. In the fiscal 2015 fourth quarter, as per the terms of the 40|86 Mortgage, \$2,500 of the escrowed proceeds was released to Griffin when the tenant that was leasing approximately 88,000 square feet on a month-to-month basis in 754 Rainbow extended into a long-term lease for that space and \$25 of the escrowed proceeds was also released to Griffin upon renewal of insurance coverage on the mortgaged properties. The remaining \$600 of mortgage proceeds deposited into escrow at closing was released to Griffin in the fiscal 2016 second quarter when tenant improvement work for the full building tenant in 758 Rainbow was completed. The 40|86 Mortgage has a fifteen year term with monthly principal payments based on a thirty year amortization schedule. The interest rate for the 40|86 Mortgage is 4.33%.

As of August 31, 2016, Griffin was a party to several interest rate swap agreements related to its variable rate nonrecourse mortgages on certain of its real estate assets. Griffin accounts for its interest rate swap agreements as effective cash flow hedges (see Note 2). No ineffectiveness on the cash flow hedges was recognized as of August 31, 2016 and none is anticipated over the term of the agreements. Amounts in accumulated other comprehensive income (loss) will be reclassified into interest expense over the term of the swap agreements to achieve fixed rates on each mortgage. None of the interest rate swap agreements contain any credit risk related contingent features. In the 2016 and 2015 nine month periods, Griffin recognized losses (included in other comprehensive loss) before taxes of \$2,898 and \$812, respectively, on its interest rate swap agreements. As of August 31, 2016, \$1,199 was expected to be reclassified over the next twelve months from accumulated other comprehensive loss to interest expense. As of August 31, 2016, the

net fair value of Griffin’s interest rate swap agreements was \$4,639 and is included in other liabilities on Griffin’s consolidated balance sheet.

6. Revolving Credit Agreement

On July 22, 2016, Griffin entered into an amendment (the “Amendment”) to its revolving credit line (the “Webster Credit Line”) with Webster Bank, N.A. that extends the Webster Credit Line for two years through July 31, 2018. The Amendment increases the amount of the Webster Credit Line from \$12,500 to \$15,000 and enables Griffin to further extend the term of the Webster Credit Line for an additional year through July 31, 2019, provided there is no default at the time such extension is requested. Per the terms of the Amendment, the interest rate on the Webster Credit Line will remain at the one month LIBOR rate plus 2.75% and the collateral for the Webster Credit Line, Griffin’s properties in Griffin Center South, aggregating approximately 235,000 square feet, and an approximately 48,000 square foot single-story office building in Griffin Center, will remain the same. There have been no borrowings under the Webster Credit Line since its inception in fiscal 2013. However, the Webster Credit Line does secure certain unused standby letters of credit aggregating \$4,117 that are related to Griffin's development activities.

7. Stockholders’ Equity

*Per Share Results*

Basic and diluted per share results were based on the following:

	For the Three Months Ended		For the Nine Months Ended	
	Aug. 31, 2016	Aug. 31, 2015	Aug. 31, 2016	Aug. 31, 2015
Net (loss) income	\$ (49)	\$ 1,203	\$ (763)	\$ 261
Weighted average shares outstanding for computation of basic per share results	5,093,000	5,153,000	5,132,000	5,151,000
Incremental shares from assumed exercise of Griffin stock options (a)	—	23,000	—	21,000
Adjusted weighted average shares for computation of diluted per share results	5,093,000	5,176,000	5,132,000	5,172,000

(a) Incremental shares from the assumed exercise of Griffin stock options are not included in periods where the inclusion of such shares would be anti-dilutive. The incremental shares from the assumed exercise of stock options for the 2016 third quarter and 2016 nine month period would have been 23,000 and 2,000, respectively.

*Griffin Stock Option Plan*

Stock options are granted by Griffin under the Griffin Industrial Realty, Inc. 2009 Stock Option Plan (the “2009 Stock Option Plan”). Options granted under the 2009 Stock Option Plan may be either incentive stock options or non-qualified stock options issued at fair market value on the date approved by Griffin’s Compensation Committee. Vesting of all of Griffin's stock options is solely based upon service requirements and does not contain market or performance conditions. Stock options issued will expire ten years from the grant date. In accordance with the 2009 Stock Option Plan, stock options issued to non-employee directors upon their initial election to the board of directors are fully exercisable immediately upon the date of the option grant. Stock options issued to non-employee directors upon their re-election to the board of directors vest on the second anniversary from the date of grant. Stock options issued to employees vest in equal installments on the third, fourth and fifth anniversaries from the date of grant. None of the stock options outstanding at August 31, 2016 may be exercised as stock appreciation rights.

The following options were granted by Griffin under the 2009 Stock Option Plan to Griffin employees and to non-employee directors either upon their initial election or their re-election to Griffin’s Board of Directors:

	For the Nine Months Ended			
	Aug. 31, 2016		Aug. 31, 2015	
	Number of Shares	Fair Value per Option at Grant Date	Number of Shares	Fair Value per Option at Grant Date
Employees	101,450	\$ 7.51 - 11.65	-	\$ -
Non-employee directors	8,409	\$ 11.30	8,282	\$ 14.39
	<u>109,859</u>		<u>8,282</u>	

The fair values of all options granted were estimated as of the grant date using the Black-Scholes option-pricing model. Assumptions used in determining the fair value of the stock options granted in the 2016 and 2015 nine month periods were as follows:

	For the Nine Months Ended	
	Aug. 31, 2016	Aug. 31, 2015
Expected volatility	32.9% to 41.1%	40.8%
Risk free interest rates	1.2% to 1.5%	2.0%
Expected option term (in years)	5 to 8.5	8.5
Annual dividend yield	0.9%	0.7%

Number of option holders at August 31, 2016	<u>31</u>
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Compensation expense and related tax benefits for stock options were as follows:

	For the Three Months Ended		For the Nine Months Ended	
	Aug. 31, 2016	Aug. 31, 2015	Aug. 31, 2016	Aug. 31, 2015
Net compensation expense	\$ 71	\$ 30	\$ 185	\$ 192
Net related tax benefit	\$ 17	\$ 8	\$ 41	\$ 49

For all periods presented, the forfeiture rate for directors was 0%, forfeiture rates for executives ranged from 17.9% to 22.6% and forfeiture rates for employees ranged from 38.3% to 41.1%. These rates were utilized based on the historical activity of the grantees.

As of August 31, 2016, the unrecognized compensation expense related to nonvested stock options that will be recognized during future periods is as follows:

Balance of Fiscal 2016	\$ 82
Fiscal 2017	\$ 311
Fiscal 2018	\$ 279
Fiscal 2019	\$ 198
Fiscal 2020	\$ 102
Fiscal 2021	\$ 28

A summary of the activity under the 2009 Griffin Stock Option Plan is as follows:

	For the Nine Months Ended			
	August 31, 2016		August 31, 2015	
	Number of Shares	Weighted Avg. Exercise Price	Number of Shares	Weighted Avg. Exercise Price
Outstanding at beginning of period	225,727	\$ 30.47	222,001	\$ 30.35
Granted	109,859	\$ 26.83	8,282	\$ 31.38
Exercised	—	\$ —	(3,134)	\$ 25.53
Forfeited	(11,040)	\$ 30.73	(1,422)	\$ 28.12
Outstanding at end of period	<u>324,546</u>	\$ 29.23	<u>225,727</u>	\$ 30.47

Range of Exercise Prices for Vested and Nonvested Options	Outstanding at August 31, 2016	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contractual Life (in years)	Total Intrinsic Value
\$23.00 - \$28.00	124,793	\$ 26.67	9.2	\$ 644
\$28.00 - \$32.00	116,678	\$ 28.92	4.8	340
\$32.00 - \$39.00	83,075	\$ 33.52	2.1	—
	<u>324,546</u>	\$ 29.23	5.8	<u>\$ 984</u>

#### *Accumulated Other Comprehensive Loss*

Accumulated other comprehensive loss, net of tax, is comprised of the following:

	For the Nine Months Ended Aug. 31, 2016		
	Unrealized loss on cash flow hedges	Unrealized gain on investment in Centaur Media	Total
Balance November 30, 2015	\$ (1,744)	\$ 659	\$ (1,085)
Other comprehensive loss before reclassifications	(1,825)	(593)	(2,418)
Amounts reclassified	646	—	646
Net activity for other comprehensive loss	(1,179)	(593)	(1,772)
Balance August 31, 2016	<u>\$ (2,923)</u>	<u>\$ 66</u>	<u>\$ (2,857)</u>

	For the Nine Months Ended Aug. 31, 2015		
	Unrealized loss on cash flow hedges	Unrealized gain on investment in Centaur Media	Total
Balance November 30, 2014	\$ (1,464)	\$ 629	\$ (835)
Other comprehensive (loss) income before reclassifications	(512)	414	(98)
Amounts reclassified	557	—	557
Net activity for other comprehensive loss	45	414	459
Balance August 31, 2015	<u>\$ (1,419)</u>	<u>\$ 1,043</u>	<u>\$ (376)</u>

The components of other comprehensive loss are as follows:

	For the Three Months Ended					
	August 31, 2016			August 31, 2015		
	Pre-Tax	Tax (Expense) Benefit	Net-of Tax	Pre-Tax	Tax (Expense) Benefit	Net-of Tax
Reclassifications included in net (loss) income:						
Loss on cash flow hedges (interest expense)	\$ 348	\$ (129)	\$ 219	\$ 300	\$ (111)	\$ 189
Total reclassifications included in net (loss) income	348	(129)	219	300	(111)	189
Mark to market adjustment on Centaur Media for a (decrease) increase in the foreign currency exchange rate	(108)	37	(71)	10	(4)	6
Mark to market adjustment on Centaur Media for a (decrease) increase in fair value	(283)	100	(183)	179	(62)	117
Decrease in fair value adjustments on Griffin's cash flow hedges	(1,129)	419	(710)	(85)	31	(54)
Total change in other comprehensive (loss) income	(1,520)	556	(964)	104	(35)	69
Other comprehensive (loss) income	\$ (1,172)	\$ 427	\$ (745)	\$ 404	\$ (146)	\$ 258
	For the Nine Months Ended					
	August 31, 2016			August 31, 2015		
	Pre-Tax	Tax (Expense) Benefit	Net-of Tax	Pre-Tax	Tax (Expense) Benefit	Net-of Tax
Reclassifications included in net (loss) income:						
Loss on cash flow hedges (interest expense)	\$ 1,025	\$ (379)	\$ 646	\$ 884	\$ (327)	\$ 557
Total reclassifications included in net (loss) income	1,025	(379)	646	884	(327)	557
Mark to market adjustment on Centaur Media for a decrease in the foreign currency exchange rate	(181)	63	(118)	(39)	13	(26)
Mark to market adjustment on Centaur Media for a (decrease) increase in fair value	(731)	256	(475)	677	(237)	440
Decrease in fair value adjustments on Griffin's cash flow hedges	(2,898)	1,073	(1,825)	(812)	300	(512)
Total change in other comprehensive (loss) income	(3,810)	1,392	(2,418)	(174)	76	(98)
Other comprehensive (loss) income	\$ (2,785)	\$ 1,013	\$ (1,772)	\$ 710	\$ (251)	\$ 459

#### *Stock Repurchases*

On March 31, 2016, Griffin's Board of Directors authorized a stock repurchase program whereby Griffin may repurchase up to \$5,000 in outstanding shares of its common stock over a twelve month period in privately negotiated transactions. This repurchase program does not obligate Griffin to repurchase any specific number of shares, and may be suspended at any time at management's discretion. On May 27, 2016, Griffin repurchased 60,000 shares of its outstanding common stock for approximately \$1,951.

#### *Cash Dividend*

Griffin did not declare a cash dividend in the 2016 or 2015 nine month periods. During the 2016 first quarter, Griffin paid \$1,546 for the cash dividend declared in the 2015 fourth quarter. During the 2015 first quarter, Griffin paid \$1,030 for the cash dividend declared in the 2014 fourth quarter.

## 8. Supplemental Financial Statement Information

*Other Assets*

Griffin's other assets are comprised of the following:

	<u>Aug. 31, 2016</u>	<u>Nov. 30, 2015</u>
Deferred rent receivable	\$ 4,485	\$ 4,087
Deferred leasing costs	4,213	4,376
Prepaid expenses	3,566	2,157
Mortgage escrows	1,603	2,229
Deferred financing costs	1,476	1,264
Lease receivables from tenants	978	401
Deposits on real estate acquisitions	450	—
Property and equipment, net	283	221
Intangible assets, net	253	305
Other	621	309
Total other assets	<u>\$ 17,928</u>	<u>\$ 15,349</u>

*Accounts Payable and Accrued Liabilities*

Griffin's accounts payable and accrued liabilities are comprised of the following:

	<u>Aug. 31, 2016</u>	<u>Nov. 30, 2015</u>
Accrued construction costs and retainage	\$ 1,571	\$ 1,278
Trade payables	528	422
Accrued salaries, wages and other compensation	513	615
Accrued interest payable	394	361
Other	981	672
Total accounts payable and accrued liabilities	<u>\$ 3,987</u>	<u>\$ 3,348</u>

*Other Liabilities*

Griffin's other liabilities are comprised of the following:

	<u>Aug. 31, 2016</u>	<u>Nov. 30, 2015</u>
Interest rate swap agreements	\$ 4,639	\$ 2,766
Deferred compensation plan	4,223	3,981
Prepaid rent from tenants	979	944
Security deposits	384	286
Conditional asset retirement obligations	288	288
Other	69	107
Total other liabilities	<u>\$ 10,582</u>	<u>\$ 8,372</u>

*Supplemental Cash Flow Information*

A decrease of \$912 in the 2016 nine month period and an increase of \$638 in the 2015 nine month period in Griffin's Investment in Centaur Media reflect the mark to market adjustments of this investment and did not affect Griffin's cash.

Accounts payable and accrued liabilities related to additions to real estate assets increased by \$293 and \$1,256 in the 2016 nine month period and 2015 nine month period, respectively.

Interest payments were as follows:

<u>For the Three Months Ended</u>		<u>For the Nine Months Ended</u>	
<u>Aug. 31, 2016</u>	<u>Aug. 31, 2015</u>	<u>Aug. 31, 2016</u>	<u>Aug. 31, 2015</u>
\$ 1,098	\$ 1,070	\$ 3,334	\$ 3,119

#### *Income Taxes*

Griffin's effective income tax benefit rate was 21.2% for the 2016 nine month period as compared to an income tax provision rate of 28.9% for the 2015 nine month period. The income tax benefit for the 2016 nine month period includes a charge of approximately \$163 for the effect of a change in Connecticut tax law, effective for Griffin in fiscal 2016, whereby, prospectively, the usage of state net operating loss carryforwards will be limited to 50% of taxable income. Therefore, in the 2016 first quarter, Griffin decreased its expected realization of the tax benefit related to its Connecticut state net operating loss carryforwards. The effect of the charge reduced Griffin's effective tax benefit rate by approximately 16.8%. The decrease of the realization rate is based on management's current projections of taxable income in Connecticut in future years that would generate income taxes in excess of capital based taxes. The effective tax rate in the 2016 nine month period is based on management's projections of pretax results for the balance of the year. To the extent that actual results differ from current projections, the effective income tax rate may change.

As of August 31, 2016, Griffin's consolidated balance sheet includes a net deferred tax asset of \$7,005. Although Griffin has incurred a cumulative pretax loss (excluding nonrecurring items) for the three fiscal years ended November 30, 2015, management has concluded that a valuation allowance against its net deferred tax assets is not required.

#### 9. Commitments and Contingencies

As of August 31, 2016, Griffin had committed purchase obligations of approximately \$1,024, principally related to the development of Griffin's real estate assets.

On January 25, 2016, Griffin entered into an Option Purchase Agreement (the "Option Agreement") whereby Griffin granted the buyer an exclusive option, which may be extended for up to three years upon payment of additional option fees, to purchase approximately 280 acres of land for approximately \$7,700. The land subject to the Option Agreement is undeveloped and does not have any of the approvals that would be required for the buyer's planned use of the land. A closing on the land sale contemplated by the Option Agreement is subject to several significant contingencies, including the buyer securing contracts under a competitive bidding process that would require changes in the use of the land and obtaining local and state approvals for that planned use. There is no guarantee that the sale of land as contemplated under the Option Agreement will be completed under its current terms, or at all.

On March 23, 2016, Griffin entered into an Agreement of Sale and Purchase (the "East Allen Purchase Agreement") to acquire, for a purchase price of \$6,200, an approximately 31 acre site in East Allen Township, Northampton County, Pennsylvania for development of an industrial/warehouse building. A closing on the land acquisition contemplated by the East Allen Purchase Agreement is subject to several significant contingencies, including satisfactory completion of due diligence on the land that would be acquired. There is no guarantee that the land acquisition as contemplated under the East Allen Purchase Agreement will be completed under its current terms, or at all.

On May 4, 2016, Griffin entered into an Agreement of Sale and Purchase, as amended (the "Macungie Purchase Agreement"), to acquire, for a purchase price of \$1,800, an approximately 14 acre site in Upper Macungie Township, Lehigh County, Pennsylvania for development of an industrial/warehouse building. A closing on the land acquisition contemplated by the Macungie Purchase Agreement is subject to significant contingencies, including Griffin obtaining all governmental approvals for its planned development of the land that would be acquired. There is no guarantee that the land acquisition as contemplated under the Macungie Purchase Agreement will be completed under its current terms, or at all.

As of August 31, 2016, Griffin is authorized to repurchase, from time to time, up to \$3,049 in outstanding shares of its common stock through private transactions. The program to repurchase common stock expires on May 10,

2017, does not obligate Griffin to repurchase any specific number of shares, and may be suspended at any time at management's discretion.

Griffin is involved, as a defendant, in various litigation matters arising in the ordinary course of business. In the opinion of management, based on the advice of legal counsel, the ultimate liability, if any, with respect to these matters is not expected to be material, individually or in the aggregate, to Griffin's consolidated financial position, results of operations or cash flows.

#### 10. Subsequent Events

In accordance with FASB ASC 855, "Subsequent Events," Griffin has evaluated all events or transactions occurring after August 31, 2016, the balance sheet date, and noted that there have been no such events or transactions which would require recognition or disclosure in the consolidated financial statements as of and for the quarter ended August 31, 2016, other than the disclosures herein.

On September 13, 2016, Griffin and Webster Bank agreed to terms on a refinancing of the 2015 Webster Mortgage that would increase the loan amount up to an additional \$13,000 and add 5210 Jaiindl to the mortgage collateral, subject to the entry into definitive agreements. The refinanced mortgage loan would have a new ten year term with principal payments based on a twenty-five year amortization schedule, and interest at the one month LIBOR rate plus 1.70%. Griffin expects to enter into a new interest rate swap agreement with Webster Bank that, when combined with the existing interest rate swap agreements related to the 2015 Webster Mortgage, would fix the rate on the entire balance of the refinanced mortgage loan for its full term. There is no guarantee that the refinancing of the 2015 Webster Mortgage will be completed in accordance with the current terms, or at all.

On September 22, 2016, Griffin closed on the previously contracted sale of approximately 29 acres of an approximately 45 acre land parcel in Griffin Center in Bloomfield, Connecticut for approximately \$3,750 and an estimated pretax gain of approximately \$3,100. An additional approximately 15 acres of that land parcel, much of which is wetlands with very limited development potential, was donated to an affiliate of the purchaser at the time of the closing. Griffin retained approximately one acre, which is adjacent to other undeveloped land owned by Griffin. The net cash proceeds from the sale of approximately \$3,500 were placed in escrow for the potential acquisition of a replacement property as part of a Section 1031 like-kind exchange for income tax purposes. If a replacement property is not purchased with the proceeds from this land sale within the time frame required under IRS regulations regarding Section 1031 like-kind exchanges, the proceeds placed in escrow would be returned to Griffin.

## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

Griffin Industrial Realty, Inc. (“Griffin”) is principally engaged in developing, managing and leasing industrial and, to a lesser extent, commercial properties. Periodically, Griffin may also sell certain portions of its undeveloped land that it has owned for an extended time period and the use of which is not consistent with Griffin’s core development and leasing strategy. The significant accounting policies and methods used in the preparation of Griffin’s unaudited consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q are consistent with those used in the preparation of Griffin’s audited consolidated financial statements for its fiscal year ended November 30, 2015 (“fiscal 2015”) included in Griffin’s Annual Report on Form 10-K as filed with the Securities and Exchange Commission on February 12, 2016.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the reporting period. Griffin regularly evaluates estimates and assumptions related to the useful life and recoverability of long-lived assets, stock-based compensation expense, deferred income tax asset valuations, valuation of derivative instruments and the estimated costs to complete required offsite improvements related to land sold. Griffin bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by Griffin may differ materially and adversely from Griffin’s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. The significant accounting estimates used by Griffin in the preparation of its financial statements for the three months and nine months ended August 31, 2016 are consistent with those used by Griffin to prepare its consolidated financial statements for fiscal 2015.

Prior to May 13, 2015, Griffin was known as Griffin Land & Nurseries, Inc. On May 13, 2015, Griffin changed its name to better reflect its ongoing real estate business after Griffin sold the growing operations of its wholly-owned subsidiary in the landscape nursery business, Imperial Nurseries, Inc. (“Imperial”) in the fiscal 2014 first quarter.

### Summary

For the three months ended August 31, 2016 (the “2016 third quarter”), Griffin incurred a net loss of less than \$0.1 million as compared to net income of approximately \$1.2 million for the three months ended August 31, 2015 (the “2015 third quarter”). Griffin’s net loss in the 2016 third quarter as compared to net income in the 2015 third quarter reflects a decrease of approximately \$1.5 million in operating income and an increase of approximately \$0.4 million in interest expense in the 2016 third quarter as compared to the 2015 third quarter, partially offset by a minimal amount of income tax benefit in the 2016 third quarter as compared to an income tax provision of approximately \$0.6 million the 2015 third quarter.

The lower operating income in the 2016 third quarter as compared to the 2015 third quarter reflects: (a) a decrease in gain from property sales of approximately \$0.8 million; (b) an increase of approximately \$0.3 million in depreciation and amortization expense; and (c) an increase of approximately \$0.4 million in general and administrative expenses. Profit from leasing activities (which Griffin defines as rental revenue less operating expenses of rental properties)<sup>1</sup> was approximately \$4.5 million in the 2016 third quarter, and essentially unchanged as compared to the 2015 third quarter, reflecting a small decrease in rental revenue in the 2016 third quarter, due to the inclusion of a rental termination payment of approximately \$0.3 million in the 2015 third quarter, being offset by a decrease in operating expenses of rental properties in the 2016 third quarter as compared to the 2015 third quarter. The lower gain from property sales in the 2016 third quarter, as compared to the 2015 third quarter, reflects less revenue and gain being recognized related to the sale of approximately 90 acres of undeveloped land in Windsor, Connecticut (the “Windsor

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<sup>1</sup> Profit from leasing activities is not a financial measure in conformity with U.S. GAAP. It is presented because Griffin believes it is a useful financial indicator for measuring results of its real estate leasing activities. However, it should not be considered as an alternative to operating income as a measure of operating results in accordance with U.S. GAAP.

Land Sale”) that closed in the fiscal year ended November 30, 2013 (“fiscal 2013”) and is being accounted for under the percentage of completion method, and a gain of approximately \$0.4 million in the 2015 third quarter from the retention of a deposit on a land sale that did not close. The higher depreciation and amortization expense in the 2016 third quarter, as compared to the 2015 third quarter, principally reflects depreciation expense related to a new building at 5220 Jandl Boulevard (“5220 Jandl”), an approximately 280,000 square foot industrial/warehouse building in the Lehigh Valley of Pennsylvania that was completed and placed in service at the end of the fiscal 2015 third quarter and also reflects depreciation expense on tenant improvements related to new leases. The increase in general and administrative expenses in the 2016 third quarter, as compared to the 2015 third quarter, principally reflects higher expenses related to Griffin’s non-qualified deferred compensation plan.

The higher interest expense in the 2016 third quarter, as compared to the 2015 third quarter, principally reflects less interest capitalized in the 2016 third quarter than in the 2015 third quarter and the higher amount of mortgage loans outstanding in the 2016 third quarter as compared to the 2015 third quarter. The income tax benefit of less than \$0.1 million in the 2016 third quarter, as compared to an income tax provision of approximately \$0.6 million the 2015 third quarter, reflects a pretax loss of approximately \$0.1 million incurred in the 2016 third quarter as compared to pretax income of approximately \$1.8 million in the 2015 third quarter.

For the nine months ended August 31, 2016 (the “2016 nine month period”), Griffin incurred a net loss of approximately \$0.8 million as compared to net income of approximately \$0.3 million for the nine months ended August 31, 2015 (the “2015 nine month period”). Griffin's net loss in the 2016 nine month period, as compared to net income in the 2015 nine month period, principally reflects a decrease of approximately \$0.7 million in operating income and an increase of approximately \$0.7 million in interest expense in the 2016 nine month period as compared to the 2015 nine month period, partially offset by approximately \$0.1 million from a gain on sale of assets in the 2016 nine month period and an increase of approximately \$0.3 million in income tax benefits in the 2016 nine month period as compared to the 2015 nine month period.

The lower operating income in the 2016 nine month period, as compared to the 2015 nine month period, reflects: (a) a decrease of approximately \$1.9 million in gain from property sales; (b) an increase of approximately \$0.9 million in depreciation and amortization expense; and (c) an increase of approximately \$0.2 million in general and administrative expenses; partially offset by (d) an increase of approximately \$2.3 million in profit from leasing activities. Profit from leasing activities increased to approximately \$13.9 million in the 2016 nine month period from approximately \$11.6 million in the 2015 nine month period mostly due to an increase in rental revenue in the 2016 nine month period as a result of more space being leased in the 2016 nine month period than the 2015 nine month period. The lower gain from property sales in the 2016 nine month period, as compared to the 2015 nine month period, reflects less revenue and gain related to the Windsor Land Sale being recognized in the 2016 nine month period and a gain of approximately \$0.4 million in the 2015 nine month period from the retention of a deposit on a land sale that did not close. The higher depreciation and amortization expense in the 2016 nine month period, as compared to the 2015 nine month period, principally reflects depreciation expense related to 5220 Jandl and also reflects depreciation on tenant improvements related to new leases. The higher general and administrative expenses in the 2016 nine month period, as compared to the 2015 nine month period, principally reflects higher expenses related to Griffin’s non-qualified deferred compensation plan.

The higher interest expense in the 2016 nine month period, as compared to the 2015 nine month period, principally reflects less interest capitalized in the 2016 nine month period than the 2015 nine month period and the higher amount of mortgage loans outstanding in the 2016 nine month period as compared to the 2015 nine month period. The income tax benefit of approximately \$0.2 million in the 2016 nine month period, as compared to an income tax provision of approximately \$0.1 million in the 2015 nine month period, reflects a pretax loss of approximately \$1.0 million incurred in the 2016 nine month period as compared to pretax income of approximately \$0.4 million in the 2015 nine month period.

## **Results of Operations**

### **2016 Third Quarter Compared to 2015 Third Quarter**

Total revenue was approximately \$7.3 million in the 2016 third quarter as compared to approximately \$8.2 million in the 2015 third quarter, reflecting decreases of approximately \$0.8 million in revenue from property sales and approximately \$0.1 million in rental revenue. Rental revenue decreased to approximately \$6.5 million in the 2016 third

quarter from approximately \$6.6 million in the 2015 third quarter principally due to the 2015 third quarter including approximately \$0.3 million of rental revenue from an early lease termination, which more than offset an increase of approximately \$0.2 million in rental revenue from a net increase in space leased in Griffin’s buildings in the 2016 third quarter as compared to the 2015 third quarter. The increase in rental revenue from the net increase in space leased in the 2016 third quarter as compared to the 2015 third quarter reflects: (a) an increase of approximately \$0.5 million from leasing space in 5220 Jandl; and (b) an increase of approximately \$0.3 million from leasing other previously vacant space; partially offset by (c) a decrease of approximately \$0.3 million from leases that expired; and (d) a decrease of approximately \$0.2 million due to lower tenant reimbursements and other rental revenue.

A summary of the total square footage and leased square footage of the buildings in Griffin’s real estate portfolio is as follows:

	<b>Total Square Footage</b>	<b>Leased Square Footage</b>	<b>Percentage Leased</b>
As of August 31, 2015	3,045,000	2,587,000	85%
As of November 30, 2015	3,045,000	2,706,000	89%
As of August 31, 2016	3,297,000	2,893,000	88%

The increase in total square footage as of August 31, 2016, as compared to August 31, 2015 and November 30, 2015, reflects the addition of 5210 Jandl Boulevard (“5210 Jandl”) to Griffin’s portfolio of buildings. 5210 Jandl, an approximately 252,000 square foot industrial/warehouse building in the Lehigh Valley, is the second of two such buildings on an approximately 50 acre parcel of land known as Lehigh Valley Tradeport II. 5210 Jandl was completed in the 2016 third quarter and a ten year lease for approximately 120,000 square feet in that building was signed. That new lease will become effective upon completion of tenant improvements, which is expected to be in the fiscal 2017 first quarter. Subsequent to the end of the 2016 third quarter, Griffin leased the balance of 5210 Jandl. That lease is also expected to become effective in the fiscal 2017 first quarter. Griffin now has five fully leased industrial/warehouse buildings in the Lehigh Valley aggregating approximately 1,183,000 square feet.

The net increase of approximately 306,000 square feet in space leased as of August 31, 2016, as compared to August 31, 2015, reflects several new leases (mostly industrial/warehouse space) aggregating approximately 402,000 square feet, partially offset by several leases aggregating approximately 96,000 square feet that expired. Of the new leasing since August 31, 2015, leases aggregating approximately 279,000 square feet were completed in the 2016 nine month period, which included the lease of approximately 120,000 square feet in 5210 Jandl, a lease of approximately 101,000 square feet in 4270 Fritch Drive (“4270 Fritch”), one of Griffin’s other industrial/warehouse buildings in the Lehigh Valley, and a full building lease of an approximately 31,000 square foot industrial/warehouse building in Bloomfield, Connecticut. The new lease at 4270 Fritch became effective in the 2016 second quarter and the new lease in the Bloomfield industrial/warehouse building became effective in the 2016 third quarter.

Griffin’s leasing activity in the 2016 nine month period included the extension of several leases aggregating approximately 197,000 square feet, mostly in New England Tradeport (“NE Tradeport”), Griffin’s industrial park in Windsor and East Granby, Connecticut, and the expiration of an approximately 57,000 square foot full building lease in 25 International Drive (“25 International”) in NE Tradeport. In fiscal 2014, the tenant in that building entered into a ten year full building lease of 758 Rainbow Road (“758 Rainbow”), an approximately 138,000 square foot building in NE Tradeport, and extended its lease in 25 International during its period of transition to the larger facility. Griffin’s leasing activity in the first nine months of fiscal 2016 also included a reduction of approximately 31,000 square feet of office/flex space under lease, as the tenant that leased the approximately 31,000 square foot industrial/warehouse building in Bloomfield, Connecticut relocated from approximately 21,000 square feet in one of Griffin’s office buildings, and another Griffin tenant reduced its office space under lease by approximately 10,000 square feet in connection with a lease extension and relocation from one of Griffin’s multi-story office buildings in Griffin Center to Griffin’s other multi-story office building in Griffin Center. Subsequent to the end of the 2016 third quarter, Griffin completed a new five year full building lease for 25 International, and the full building lease of an approximately 40,000 square foot office/flex building in Griffin Center South expired and was not renewed.

In the 2016 third quarter, Griffin entered into a three year lease of its production nursery in Quincy, Florida (the “Florida Farm”). The Florida Farm had been leased to a nursery grower after Imperial ceased operations there in 2009. The 2009 lease of the Florida Farm expired on April 30, 2016. The new lease of the Florida Farm contains an option for the tenant to purchase the Florida Farm at any time during the lease term at an agreed upon price.

All of Griffin's Connecticut properties are in the north submarket of Hartford. In the 2016 third quarter, the industrial/warehouse real estate market where Griffin's Connecticut industrial/warehouse properties are located was active, while the real estate market for office/flex space where Griffin's Connecticut office/flex properties are located remained soft. Griffin's office/flex space was approximately 13% of Griffin's total square footage as of August 31, 2016. Leasing activity in the Lehigh Valley was strong in the 2016 third quarter, as the reported overall vacancy rate in that market continues to remain low. There is no guarantee that an active or strong real estate market or an increase in inquiries from prospective tenants will result in leasing space that was vacant as of August 31, 2016.

Griffin did not complete any property sales in the 2016 third quarter, but did complete a property sale subsequent to the end of the 2016 third quarter (see Liquidity and Capital Resources section below). Revenue from property sales of approximately \$0.8 million in the 2016 third quarter reflects the recognition of revenue from the Windsor Land Sale that closed in fiscal 2013. Under the terms of the Windsor Land Sale, Griffin is required to construct roadways that will connect the land sold to existing town roadways. Accordingly, because of Griffin's continuing involvement with the land that was sold, the Windsor Land Sale is being accounted for under the percentage of completion method. From the closing of the Windsor Land Sale in fiscal 2013 through August 31, 2016, Griffin has recognized approximately \$8.7 million of revenue from the Windsor Land Sale. The balance of the revenue from the Windsor Land Sale, approximately \$0.2 million, will be recognized as the remaining costs of the required roadway construction are incurred, which is expected to be in the fiscal 2016 fourth quarter. While management has used its best estimates, based on industry knowledge and experience, in projecting the total costs of the required roadways being constructed, increases or decreases in future costs as compared with current estimated amounts would reduce or increase the gain recognized in future periods. The approximately \$1.6 million of revenue from property sales in the 2015 third quarter reflected approximately \$1.2 million of recognition of revenue related to the Windsor Land Sale and \$0.4 million from retention of a deposit on a land sale that did not close. Property sales occur periodically and changes in revenue from year to year from those transactions may not be indicative of any trends in Griffin's real estate business.

Operating expenses of rental properties decreased to approximately \$2.0 million in the 2016 third quarter from approximately \$2.1 million in the 2015 third quarter. The decrease of approximately \$0.1 million in operating expenses of rental properties in the 2016 third quarter, as compared to the 2015 third quarter, principally reflects a decrease of approximately \$0.2 million in utilities and repair and maintenance expenses, partially offset by operating expenses of approximately \$0.1 million at 5210 Jaendl, which was placed in service in the fiscal 2016 third quarter.

Depreciation and amortization expense increased to approximately \$2.2 million in the 2016 third quarter from approximately \$1.9 million in the 2015 third quarter. The increase of approximately \$0.3 million in depreciation and amortization expense in the 2016 third quarter, as compared to the 2015 third quarter, reflects depreciation expense of approximately \$0.2 million related to 5220 Jaendl and approximately \$0.1 million of depreciation expense on tenant improvements related to new leases.

Griffin's general and administrative expenses increased to approximately \$1.8 million in the 2016 third quarter from approximately \$1.3 million in the 2015 third quarter. The increase of approximately \$0.5 million in general and administrative expenses in the 2016 third quarter, as compared to the 2015 third quarter, principally reflects increases of approximately \$0.4 million related to Griffin's non-qualified deferred compensation plan and approximately \$0.1 million in all other general and administrative expenses. The higher expenses related to Griffin's non-qualified deferred compensation plan reflect an increase in the non-qualified deferred compensation plan liability as a result of the effect on participant balances of the higher stock market performance in the 2016 third quarter as compared to the 2015 third quarter.

Griffin's interest expense increased to approximately \$1.2 million in the 2016 third quarter from approximately \$0.8 million in the 2015 third quarter. The increase of approximately \$0.4 million in interest expense in the 2016 third quarter, as compared to the 2015 third quarter, principally reflects approximately \$0.2 million less interest capitalized in the 2016 third quarter than in the 2015 third quarter and interest expense of approximately \$0.1 million on the nonrecourse mortgage loan on 5220 Jaendl that closed in the fiscal 2015 fourth quarter.

Griffin's income tax benefit was less than \$0.1 million in the 2016 third quarter as compared to an income tax provision of approximately \$0.6 million in the 2015 third quarter. The income tax benefit in the 2016 third quarter, as compared to the income tax provision in the 2015 third quarter, reflects the pretax loss of approximately \$0.1 million incurred in the 2016 third quarter as compared to pretax income of approximately \$1.8 million in the 2015 third quarter.

## 2016 Nine Month Period Compared to 2015 Nine month Period

Total revenue was approximately \$20.5 million in the 2016 nine month period as compared to approximately \$20.6 million in the 2015 nine month period, reflecting a decrease of approximately \$2.1 million in revenue from property sales, substantially offset by an increase of approximately \$2.0 million in rental revenue. Rental revenue increased to approximately \$20.0 million in the 2016 nine month period from approximately \$18.0 million in the 2015 nine month period principally reflecting: (a) an increase of approximately \$1.6 million from leasing previously vacant space; and (b) an increase of approximately \$1.5 million from leasing space in 5220 Jaendl; partially offset by (c) a decrease of approximately \$0.9 million from leases that expired; and (d) approximately \$0.3 million of rental revenue from an early lease termination included in the 2015 nine month period.

The decrease of approximately \$2.1 million in revenue from property sales in the 2016 nine month period, as compared to the 2015 nine month period, reflects a decrease of approximately \$1.7 million of revenue recognized on the Windsor Land Sale and the 2015 nine month period including revenue of \$0.4 million from the retention of a deposit on a land sale that did not close. Property sales occur periodically and changes in revenue from year to year from those transactions may not be indicative of any trends in Griffin's real estate business.

Operating expenses of rental properties decreased to approximately \$6.1 million in the 2016 nine month period from approximately \$6.4 million in the 2015 nine month period. The decrease of approximately \$0.3 million in operating expenses of rental properties in the 2016 nine month period, as compared to the 2015 nine month period, principally reflects a decrease of approximately \$0.3 million in snow removal expenses, due to less severe winter weather in the 2016 nine month period, and a decrease of approximately \$0.3 million in utility expenses, partially offset by operating expenses of approximately \$0.3 million at 5220 Jaendl, which was placed in service at the end of the fiscal 2015 third quarter.

Depreciation and amortization expense increased to approximately \$6.5 million in the 2016 nine month period from approximately \$5.6 million in the 2015 nine month period. The increase of approximately \$0.9 million in depreciation and amortization expense in the 2016 nine month period, as compared to the 2015 nine month period, reflects depreciation expense of approximately \$0.6 million related to 5220 Jaendl and depreciation expense of approximately \$0.3 million on tenant improvements related to new leases.

Griffin's general and administrative expenses increased to approximately \$5.4 million in the 2016 nine month period from approximately \$5.2 million in the 2015 nine month period. The increase of approximately \$0.2 million in general and administrative expenses in the 2016 nine month period, as compared to the 2015 nine month period, principally reflects an increase of approximately \$0.3 million related to Griffin's non-qualified deferred compensation plan and an overall decrease of approximately \$0.1 million in all other general and administrative expenses. The higher expenses related to Griffin's non-qualified deferred compensation plan reflect an increase in the non-qualified deferred compensation plan liability as a result of the effect on participant balances of the higher stock market performance in the 2016 nine month period as compared to the 2015 nine month period.

Griffin's interest expense increased to approximately \$3.3 million in the 2016 nine month period from approximately \$2.6 million in the 2015 nine month period. The increase in interest expense of approximately \$0.7 million in the 2016 nine month period, as compared to the 2015 nine month period, principally reflects approximately \$0.4 million less interest capitalized in the 2016 nine month period than in the 2015 nine month period and interest expense of approximately \$0.3 million on the nonrecourse mortgage loan on 5220 Jaendl that closed in the fiscal 2015 fourth quarter.

Griffin's income tax benefit was approximately \$0.2 million in the 2016 nine month period as compared to an income tax provision of approximately \$0.1 million in the 2015 nine month period. The income tax benefit in the 2016 nine month period, as compared to the income tax provision in the 2015 nine month period, reflects the pretax loss of approximately \$1.0 million incurred in the 2016 nine month period as compared to pretax income of approximately \$0.4 million in the 2015 nine month period. Griffin's effective income tax benefit rate decreased to 21.2% in the 2016 nine month period from an effective income tax provision rate of 28.9% in the 2015 nine month period. The lower effective tax rate in the 2016 nine month period, as compared to the 2015 nine month period, principally reflects the effect in the 2016 nine month period of a charge of approximately \$0.2 million for the reduction of the expected realization rate of tax benefits from Connecticut state net operating loss carryforwards as a result of a change in Connecticut tax law, effective for Griffin beginning in fiscal 2016, that limits the future usage of loss carryforwards to 50% of taxable

income. The charge for the reduction of the expected realization rate of tax benefits from Connecticut state net operating loss carryforwards reduced the effective tax benefit rate for the 2016 nine month period by approximately 16.8%. The effective tax rate for the 2016 nine month period is based on management's projection of pretax results for the fiscal 2016 full year. To the extent that actual results differ from current projections, the effective tax rate may change.

### Off Balance Sheet Arrangements

Griffin does not have any material off balance sheet arrangements.

### Liquidity and Capital Resources

Net cash provided by operating activities was approximately \$3.5 million in the 2016 nine month period as compared to approximately \$9.9 million in the 2015 nine month period. The approximately \$6.4 million decrease in net cash provided by operating activities in the 2016 nine month period, as compared to the 2015 nine month period, principally reflects a decrease of approximately \$7.8 million of cash from changes in assets and liabilities in the 2016 nine month period as compared to the 2015 nine month period, partially offset by an increase of approximately \$1.4 million in cash generated from improved results of operations as adjusted for noncash expenses and credits and gain on sale of properties in the 2016 nine month period as compared to the 2015 nine month period.

The decrease in cash from changes in assets and liabilities in the 2016 nine month period, as compared to the 2015 nine month period, principally reflects an increase in deferred revenue of approximately \$0.3 million in the 2016 nine month period as compared to an increase of approximately \$5.5 million in the 2015 nine month period. The increase in deferred revenue in the 2015 nine month period reflects cash of approximately \$5.5 million received in the 2015 nine month period from the tenant in 758 Rainbow, which is being recognized as rental revenue over the lease term. The cash received by Griffin from the tenant was related to building and tenant improvements in connection with a ten year full building lease of 758 Rainbow that commenced in the fourth quarter of fiscal 2014. The increase in cash generated from improved results of operations, as adjusted for noncash expenses and credits and gain on sale of properties, in the 2016 nine month period as compared to the 2015 nine month period, principally reflects the increase in profit from leasing activities in the 2016 nine month period, driven by the increase in rental revenue.

Net cash used in investing activities was approximately \$13.9 million in the 2016 nine month period as compared to approximately \$25.4 million in the 2015 nine month period. The net cash used in investing activities in the 2016 nine month period reflects cash payments of approximately \$13.4 million for additions to real estate assets and approximately \$0.6 million for deferred leasing costs and other uses.

Cash payments for additions to real estate assets in the 2016 nine month period reflect the following:

New building construction (including site work)	\$8.6 million
Tenant and building improvements related to leasing	\$4.3 million
Development costs and infrastructure improvements	\$0.5 million

Cash payments in the 2016 nine month period for new building construction reflects the construction, on speculation, of 5210 Jaendl, which was started in the fiscal 2015 fourth quarter and completed in the fiscal 2016 third quarter. Through August 31, 2016, Griffin has made total cash payments of approximately \$11.4 million for the direct site work and building shell for 5210 Jaendl, which is slightly higher than originally expected. Cash payments in the 2016 nine month period for tenant and building improvements principally reflect tenant improvement work related to leases signed in the latter part of fiscal 2015 and the first nine months of fiscal 2016. The cash spent on development costs and infrastructure improvements in the 2016 nine month period principally reflects road improvements related to the Windsor Land Sale. The cash spent on deferred leasing costs and other in the 2016 nine month period principally reflects lease commissions paid to real estate brokers for new leases.

The net cash of approximately \$25.4 million used in investing activities in the 2015 nine month period reflects cash payments of approximately \$26.5 million for additions to real estate assets and approximately \$0.8 million for deferred leasing costs and other uses, partially offset by \$1.5 million received from the second and final payment under the note receivable related to the sale of Imperial's growing operations and \$0.4 million from the deposit retained on a property sale that did not close.

Cash payments for additions to real estate assets in the 2015 nine month period reflect the following:

New building construction (including site work)	\$14.3 million
Tenant and building improvements related to leasing	\$11.0 million
Development costs and infrastructure improvements	\$1.2 million

Cash payments in the 2015 nine month period for new building construction, including site work, principally reflect the construction, on speculation, of 5220 Jaindl, which was completed at the end of the fiscal 2015 third quarter and was fully leased for the 2016 nine month period. Cash payments in the 2015 nine month period for tenant and building improvements principally reflect tenant improvements related to leases completed in the latter part of fiscal 2014 and the 2015 nine month period, including payments of approximately \$7.4 million for improvements related to the ten year full building lease of 758 Rainbow. The tenant in that building paid Griffin for the cost of most of the improvements, and Griffin is recognizing the amounts received from the tenant as additional rental revenue over the lease term.

Net cash provided by financing activities was approximately \$6.1 million in the 2016 nine month period as compared to approximately \$4.8 million in the 2015 nine month period. The net cash provided by financing activities in the 2016 nine month period reflects \$18.8 million of proceeds from new mortgage debt (see below) and \$0.6 million of mortgage proceeds released from escrow, partially offset by: (a) approximately \$9.4 million of principal payments on mortgage loans; (b) approximately \$1.95 million paid for the repurchase of common stock (see below); (c) a payment of approximately \$1.5 million for a dividend on Griffin's common stock that was declared in the fiscal 2015 fourth quarter and paid in the 2016 nine month period; and (d) approximately \$0.4 million of payments for debt issuance costs. The principal payments on mortgage loans include approximately \$7.4 million for repayment of a mortgage loan that was refinanced (see below) and approximately \$2.0 million of recurring principal payments.

On April 26, 2016, Griffin closed on a nonrecourse mortgage (the "2016 PUB Mortgage") with People's United Bank, N.A. ("PUB") and received mortgage proceeds of \$14.35 million, before transaction costs. The 2016 PUB Mortgage refinanced an existing mortgage (the "2009 PUB Mortgage") with PUB that was due on August 1, 2019 and was collateralized by four of Griffin's NE Tradeport industrial/warehouse buildings totaling approximately 240,000 square feet (14, 15, 16 and 40 International Drive). The 2009 PUB Mortgage had a balance of approximately \$7.4 million at the time of the refinancing and a floating interest rate of the one month LIBOR rate plus 3.08%. Griffin had entered into an interest rate swap agreement with PUB to effectively fix the rate on the 2009 PUB Mortgage at 6.58% for the term of that loan. The 2016 PUB Mortgage is collateralized by the same four properties as the 2009 PUB Mortgage along with another approximately 98,000 square foot industrial/warehouse building (35 International Drive) in NE Tradeport. At the closing of the 2016 PUB Mortgage, Griffin used a portion of the proceeds to repay the 2009 PUB Mortgage. The 2016 PUB Mortgage has a ten year term with monthly principal payments based on a twenty-five year amortization schedule. The interest rate for the 2016 PUB Mortgage is a floating rate of the one month LIBOR rate plus 2.0%. At the time the 2016 PUB Mortgage closed, Griffin entered into a second interest rate swap agreement with PUB that, combined with the existing interest rate swap agreement with PUB, effectively fixes the interest rate of the 2016 PUB Mortgage at 4.17% over the loan term. The terms of the 2016 PUB Mortgage require that if either the tenant that leases approximately 58,000 square feet in 40 International Drive or the tenant that leases approximately 40,000 square feet in 14 International Drive does not extend its respective lease when it expires in fiscal 2021, a subsidiary of Griffin will enter into a master lease of the vacated space. The master lease would be guaranteed by Griffin and be in effect until either the space is re-leased to a new tenant or the due date of the 2016 PUB Mortgage Loan, whichever occurs first.

On December 10, 2015, Griffin received additional mortgage proceeds of \$2.6 million under the \$14.1 million nonrecourse mortgage loan (the "2015 Webster Mortgage") with Webster Bank, N.A. ("Webster Bank") on 5220 Jaindl that closed on September 1, 2015. Mortgage proceeds of \$11.5 million (before transaction costs) from the 2015 Webster Mortgage were received at closing, with the balance of the mortgage proceeds to be advanced when the tenant that was leasing approximately 196,000 square feet in 5220 Jaindl exercises its option to lease the balance of the building, or the unleased space in the building at the time the 2015 Webster Mortgage closed is leased to another tenant. On November 24, 2015, the tenant in 5220 Jaindl exercised its option to lease the balance of the building. Accordingly, Webster Bank advanced the remaining \$2.6 million of mortgage proceeds under the 2015 Webster Mortgage that had been withheld at closing. At the time Griffin received the additional mortgage proceeds from Webster Bank, Griffin entered into an interest rate swap agreement with Webster Bank that, combined with an existing interest rate swap agreement with Webster Bank, effectively fixes the interest rate on the 2015 Webster Mortgage at 3.75% for the remainder of the mortgage loan's ten year term. On September 13, 2016, Griffin and Webster Bank agreed to terms on a refinancing of

the 2015 Webster Mortgage that would increase the loan amount up to an additional \$13.0 million and add 5210 Jaindl to the mortgage collateral, subject to entry into definitive agreements. The refinanced loan would have a new ten year term with principal payments based on a twenty-five year amortization schedule, and interest at the one month LIBOR rate plus 1.70%. Griffin expects to enter into a new interest rate swap agreement with Webster Bank that, when combined with the existing interest rate swap agreements related to the 2015 Webster Mortgage, would fix the rate on the entire balance of the refinanced mortgage loan for its full term. There is no guarantee that the refinancing of the 2015 Webster Mortgage will be completed in accordance with the current terms, or at all.

On December 11, 2015, Griffin received additional mortgage proceeds of \$1.85 million under the \$21.6 million nonrecourse mortgage loan (the “2025 First Niagara Mortgage”) with First Niagara Bank (“First Niagara”) that closed on December 31, 2014. At the closing of the 2025 First Niagara Mortgage in the 2015 nine month period, Griffin received cash proceeds of approximately \$10.9 million (before transaction costs), in addition to approximately \$8.9 million used to refinance an existing mortgage loan with First Niagara, with the balance of \$1.85 million to be advanced when a portion of the space in 4270 Fritch that was vacant at the time of the closing is leased. In the 2016 nine month period, Griffin leased all of the remaining vacant space in 4270 Fritch. Accordingly, First Niagara advanced the remaining \$1.85 million of mortgage proceeds under the 2025 First Niagara Mortgage that had been withheld at closing. At the time Griffin received the additional mortgage proceeds from First Niagara, Griffin entered into an interest rate swap agreement with First Niagara that, combined with two existing interest rate swap agreements with First Niagara, effectively fixes the interest rate on the 2025 First Niagara Mortgage at 4.39% over the remainder of the mortgage loan’s ten year term.

On March 31, 2016, Griffin’s Board of Directors authorized a program under which Griffin may repurchase up to \$5.0 million in outstanding shares of its common stock over a twelve month period in privately negotiated transactions. The repurchase program does not obligate Griffin to repurchase any specific number of shares, and may be suspended at any time at management’s discretion. On June 2, 2016, Griffin completed the acquisition of 60,000 shares of its common stock for approximately \$1.95 million.

The net cash of approximately \$4.8 million provided by financing activities in the 2015 nine month period reflected proceeds of approximately \$28.9 million on two mortgage loans and approximately \$0.1 million received from the exercise of stock options, partially offset by: (a) approximately \$19.5 million of principal payments on mortgage loans; (b) approximately \$3.1 million of mortgage proceeds placed in escrow; (c) a payment of approximately \$1.0 million for a dividend on Griffin’s common stock that was declared in the fiscal 2014 fourth quarter and paid in the 2015 first quarter; and (d) approximately \$0.5 million of payments for debt issuance costs.

On July 22, 2016, Griffin completed a two-year extension to its revolving credit line with Webster Bank (the “Webster Credit Line”) that was scheduled to expire on August 1, 2016. The terms of the extension increase the amount of the credit line from \$12.5 million to \$15.0 million and Griffin has the option to further extend the credit line for an additional year provided there is no default at the time such extension is requested. The interest rate on the credit line extension remains at the one month LIBOR rate plus 2.75% and the collateral for the Webster Credit Line, Griffin’s properties in Griffin Center South, aggregating approximately 235,000 square feet, and an approximately 48,000 square foot single-story office building in Griffin Center, also remain the same. There have been no borrowings under the Webster Credit Line since its inception, however, the Webster Credit Line does secure certain unused standby letters of credit aggregating approximately \$4.1 million that are related to Griffin's development activities.

Griffin's payments (including principal and interest) under contractual obligations as of August 31, 2016 are as follows:

	<u>Total</u>	<u>Due Within One Year</u>	<u>Due From 1 - 3 Years</u>	<u>Due From 3 - 5 Years</u>	<u>Due in More Than 5 Years</u>
			(in millions)		
Mortgage Loans	\$ 132.3	\$ 7.4	\$ 29.0	\$ 14.6	\$ 81.3
Revolving Line of Credit	—	—	—	—	—
Operating Lease Obligations	1.3	0.1	0.2	0.3	0.7
Purchase Obligations (1)	1.0	1.0	—	—	—
Other (2)	4.2	—	—	—	4.2
	<u>\$ 138.8</u>	<u>\$ 8.5</u>	<u>\$ 29.2</u>	<u>\$ 14.9</u>	<u>\$ 86.2</u>

- (1) Includes obligations principally related to the development of Griffin's real estate assets.
- (2) Reflects the liability for Griffin's non-qualified deferred compensation plan. The timing on the payment of participant balances in the non-qualified deferred compensation plan is not determinable.

On September 22, 2016, Griffin closed on the previously contracted sale of approximately 29 acres of an approximately 45 acre land parcel in Griffin Center in Bloomfield, Connecticut for approximately \$3.75 million and an expected pretax gain of approximately \$3.1 million. An additional approximately 15 acres of that land parcel, much of which is wetlands with very limited development potential, was donated to an affiliate of the purchaser at the time of closing. Griffin retained approximately one acre, which is adjacent to other undeveloped land owned by Griffin. At closing, the net cash proceeds from the sale of approximately \$3.5 million were placed in escrow for the potential acquisition of a replacement property as part of a Section 1031 like-kind exchange for income tax purposes. If a replacement property is not purchased with the proceeds from this land sale within the time frame required under IRS regulations regarding Section 1031 like-kind exchanges, the proceeds placed in escrow would be returned to Griffin.

On January 25, 2016, Griffin entered into an Option Purchase Agreement (the "Option Agreement") whereby Griffin granted the buyer an exclusive three month option, in exchange for a nominal fee, to purchase approximately 280 acres of land for approximately \$7.7 million. The buyer may extend the option period for up to three years upon payment of additional option fees. The land subject to the Option Agreement is undeveloped and does not have any of the approvals that would be required for the buyer's planned use of the land. A closing on the land sale contemplated by the Option Agreement is subject to several significant contingencies, including the buyer securing contracts under a competitive bidding process that would require changes in the use of the land and local and state approvals for the planned use. There is no guarantee that the sale of land as contemplated under the Option Agreement will be completed under its current terms, or at all.

On March 23, 2016, Griffin entered into an Agreement of Sale and Purchase (the "East Allen Purchase Agreement") to acquire, for a purchase price of \$6.2 million, an approximately 31 acre site in East Allen Township, Northampton County, Pennsylvania for development of an industrial/warehouse building. A closing on the land acquisition contemplated by the East Allen Purchase Agreement is subject to several significant contingencies, including satisfactory completion of due diligence on the land that would be acquired. On May 4, 2016, Griffin entered into an Agreement of Sale and Purchase, as amended (the "Macungie Purchase Agreement"), to acquire, for a purchase price of \$1.8 million, an approximately 14 acre site in Upper Macungie Township, Lehigh County, Pennsylvania for development of an industrial/warehouse building. A closing on the land acquisition contemplated by the Macungie Purchase Agreement is subject to several significant contingencies, including Griffin obtaining all governmental approvals for its planned development of the land that would be acquired. There is no guarantee that either of the land acquisitions as contemplated under the East Allen Purchase Agreement or the Macungie Purchase Agreement will be completed under their current terms, or at all.

In the near-term, Griffin plans to continue to invest in its real estate business, including the construction of additional buildings on its undeveloped land, expenditures for tenant improvements as new leases are signed, infrastructure improvements required for future development of its real estate holdings and the potential acquisition of additional properties and/or undeveloped land parcels in New England or the Mid-Atlantic states to expand the industrial/warehouse portion of its real estate portfolio. Real estate acquisitions may or may not occur based on many factors, including real estate pricing. Griffin does not expect to commence any speculative construction projects for its

Connecticut real estate portfolio in the near term, but would construct an industrial/warehouse building that is partially preleased or a build-to-suit facility on its undeveloped land in Connecticut if lease terms are favorable.

As of August 31, 2016, Griffin had cash and cash equivalents of approximately \$14.0 million. Management believes that its cash and cash equivalents as of August 31, 2016, cash generated from leasing operations and property sales, and borrowing capacity under the Webster Credit Line will be sufficient to meet its working capital requirements, the continued investment in real estate assets, repurchases of its common stock under the stock repurchase program adopted in the 2016 second quarter, and the payment of dividends on its common stock, when and if declared by the Board of Directors, for at least the next twelve months. Griffin may also continue to seek additional financing secured by nonrecourse mortgage loans on its properties. Griffin's real estate portfolio currently includes four buildings aggregating approximately 314,000 square feet in Connecticut and the approximately 252,000 square feet of 5210 Jandl in the Lehigh Valley that are not mortgaged. However, Griffin has agreed to terms to refinance the 2015 Webster Mortgage that would increase the amount of the 2015 Webster Mortgage and add 5210 Jandl to the collateral for that mortgage loan (see above).

### **Forward-Looking Information**

The above information in Management's Discussion and Analysis of Financial Condition and Results of Operations includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended. These forward-looking statements include, but are not limited to, Griffin's expectations regarding the leasing of currently vacant space, the acquisition of additional properties and/or undeveloped land parcels, construction of additional facilities, the ability to obtain mortgage financing on Griffin's unleveraged properties, completion of a refinancing of the 2015 Webster Mortgage, the expected amount of pretax gain on the sale of approximately 29 acres of undeveloped land that closed subsequent to the end of the 2016 third quarter, the completion of the sale of approximately 280 acres of land, completion of acquisitions of approximately 31 acres of land and 14 acres of land in Pennsylvania, future repurchases of common stock under Griffin's stock repurchase program, Griffin's anticipated future liquidity and other statements with the words "believes," "anticipates," "plans," "expects" or similar expressions. Although Griffin believes that its plans, intentions and expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such plans, intentions or expectations will be achieved. The forward-looking statements made herein are based on assumptions and estimates that, while considered reasonable by Griffin as of the date hereof, are inherently subject to significant business, economic, competitive and regulatory uncertainties and contingencies, many of which are beyond the control of Griffin. Griffin's actual results could differ materially from those anticipated in these forward-looking statements as a result of various important factors, including those set forth under the heading Item 1A "Risk Factors" of Griffin's Annual Report on Form 10-K for the fiscal year ended November 30, 2015 filed with the Securities and Exchange Commission on February 12, 2016.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk represents the risk of changes in value of a financial instrument, derivative or non-derivative, caused by fluctuations in interest rates, foreign exchange rates and equity prices. Changes in these factors could cause fluctuations in earnings and cash flows.

For fixed rate mortgage debt, changes in interest rates generally affect the fair market value of the debt instrument, but not earnings or cash flows. Griffin does not have an obligation to prepay any fixed rate debt prior to maturity and, therefore, interest rate risk and changes in the fair market value of fixed rate debt should not have a significant impact on earnings or cash flows until such debt is refinanced, if necessary. Griffin's mortgage interest rates are described in Note 5 to the unaudited consolidated financial statements included in Item 1.

For variable rate debt, changes in interest rates generally do not impact the fair market value of the debt instrument, but do affect future earnings and cash flows. As of August 31, 2016, Griffin had several nonrecourse mortgage loans aggregating approximately \$69.1 million that have variable interest rates, for which Griffin has entered into interest rate swap agreements to effectively fix the interest rates on all of these mortgage loans. There were no other variable rate borrowings outstanding as of August 31, 2016.

Griffin is exposed to market risks from fluctuations in interest rates and the effects of those fluctuations on the market values of Griffin's cash equivalents. These investments generally consist of money market securities that are not significantly exposed to interest rate risk.

Griffin does not have foreign currency exposure related to its operations. Griffin does have an investment in a public company, Centaur Media plc, based in the United Kingdom. The amount to be realized from the ultimate liquidation of that investment and conversion of proceeds into United States currency is subject to future foreign currency exchange rates.

#### ITEM 4. CONTROLS AND PROCEDURES

##### Evaluation of Disclosure Controls and Procedures

Griffin maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to Griffin's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), Griffin carried out an evaluation, under the supervision and with the participation of Griffin's management, including Griffin's Chief Executive Officer and Griffin's Chief Financial Officer, of the effectiveness of Griffin's disclosure controls and procedures as of the end of the fiscal period covered by this report. Based on the foregoing, Griffin's Chief Executive Officer and Chief Financial Officer concluded that its disclosure controls and procedures were effective at the reasonable assurance level.

##### Changes in Internal Control over Financial Reporting

There has been no change in Griffin's internal control over financial reporting during Griffin's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Griffin's internal control over financial reporting.

**PART II OTHER INFORMATION****ITEM 1A. RISK FACTORS**

There have been no material changes to the risk factors previously disclosed in Item 1A of Griffin's Annual Report on Form 10-K for the fiscal year ended November 30, 2015.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On March 31, 2016, Griffin's Board of Directors authorized a stock repurchase program whereby Griffin may repurchase up to \$5.0 million in outstanding shares of its common stock in privately negotiated transactions. The repurchase program expires on May 10, 2017. The repurchase program does not obligate Griffin to repurchase any specific number of shares and may be suspended at any time at management's discretion. There were no stock repurchases in the 2016 third quarter.

**ITEM 6. EXHIBITS****EXHIBIT INDEX**

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed/ Furnished Herewith
		Form	File No.	Exhibit	
2.1	Asset Purchase Agreement, dated January 6, 2014, effective January 8, 2014, among Monrovia Connecticut LLC as Buyer, Monrovia Nursery Company as Guarantor, Imperial Nurseries, Inc. as Seller and Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) as Owner	8-K	001-12879	2.1	1/14/14
2.2	Letter Agreement, dated January 6, 2014, among Imperial Nurseries, Inc., River Bend Holdings, LLC, Monrovia Connecticut LLC and Monrovia Nursery Company	8-K	001-12879	2.2	1/14/14
3.1	Amended and Restated Certificate of Incorporation of Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.)	10-Q	001-12879	3.1	10/10/13
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.)	8-K	001-12879	3.2	5/13/15
3.3	Amended and Restated By-laws of Griffin Industrial Realty, Inc.	8-K	001-12879	3.3	5/13/15
10.1†	Form of 401(k) Plan of Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.)	10	001-12879	10.7	4/8/97
10.2†	Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) 2009 Stock Option Plan	10-K	001-12879	10.2	2/13/14
10.3†	Form of Stock Option Agreement under Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) 2009 Stock Option Plan	10-K	001-12879	10.3	2/13/14
10.4	Mortgage Deed, Security Agreement, Financing Statement and Fixture Filing with Absolute Assignment of Rents and Leases dated September 17, 2002 between Tradeport Development I, LLC and Farm Bureau Life Insurance Company	10-Q	001-12879	10.21	10/11/02

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Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.5	Mortgage Deed and Security Agreement dated December 17, 2002 between Griffin Center Development IV, LLC and Webster Bank, N.A.	10-K	001-12879	10.24	2/28/02	
10.6	Secured Installment Note and First Amendment of Mortgage and Loan Documents dated April 16, 2004 among Tradeport Development I, LLC, and Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) and Farm Bureau Life Insurance Company	10-Q	001-12879	10.28	7/13/04	
10.7	Mortgage Deed Security Agreement, Fixture Filing, Financing Statement and Assignment of Leases and Rents dated July 6, 2005 by Tradeport Development II, LLC in favor of First Sunamerica Life Insurance Company	10-Q	001-12879	10.29	11/2/05	
10.8	Promissory Note dated July 6, 2005	10-Q	001-12879	10.30	11/2/05	
10.9	Guaranty Agreement as of July 6, 2005 by Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) in favor of First Sunamerica Life Insurance Company	10-Q	001-12879	10.31	11/2/05	
10.10	Amended and Restated Mortgage Deed Security Agreement, Fixture Filing, Financing Statement and Assignment of Leases and Rents dated November 16, 2006 by Tradeport Development II, LLC in favor of First Sunamerica Life Insurance Company	10-K	001-12879	10.32	2/15/07	
10.11	Amended and Restated Promissory Note dated November 16, 2006	10-K	001-12879	10.33	2/15/07	
10.12	Guaranty Agreement as of November 16, 2006 by Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) in favor of First Sunamerica Life Insurance Company	10-K	001-12879	10.34	2/15/07	
10.13	Construction Loan and Security Agreement dated February 6, 2009 by and between Tradeport Development III, LLC, Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.), and Berkshire Bank	10-Q	001-12879	10.36	10/6/10	
10.14	\$12,000,000 Construction Note dated February 6, 2009	10-Q	001-12879	10.37	4/9/09	
10.15	Loan and Security Agreement dated July 9, 2009 between Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) and People's United Bank, N.A.	10-Q	001-12879	10.40	10/8/09	
10.16	\$10,500,000 Promissory Note dated July 9, 2009	10-Q	001-12879	10.41	10/8/09	
10.17	Mortgage and Security Agreement dated January 27, 2010 between Riverbend Crossings III Holdings, LLC and NewAlliance Bank	10-Q	001-12879	10.42	10/6/10	
10.18	\$4,300,000 Promissory Note dated January 27, 2010	10-Q	001-12879	10.43	4/8/10	
10.19	First Modification of Promissory Note, Mortgage Deed and Security Agreement and Other Loan Documents between Riverbend Crossings III Holdings, LLC and NewAlliance Bank dated October 27, 2010	10-K	001-12879	10.44	2/10/11	

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Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.23	Third Modification Agreement between Griffin Center Development IV, LLC, Griffin Center Development V, LLC, Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) and Webster Bank, N.A. dated June 15, 2012	8-K	001-12879	10.48	6/20/12	
10.24	Second Amendment to Mortgage Deed and Security Agreement and other Loan Documents between Riverbend Crossings III Holdings, LLC and First Niagara Bank, N.A. dated April 1, 2013	10-Q	001-12879	10.49	6/1/13	
10.25	Amended and Restated Term Note dated April 1, 2013	10-Q	001-12879	10.50	7/11/13	
10.26	Revolving Line of Credit Loan Agreement with Webster Bank, N.A. dated April 24, 2013	10-Q	001-12879	10.51	6/1/13	
10.28	Mortgage and Security Agreement between Riverbend Bethlehem Holdings I, LLC and First Niagara Bank, N.A. effective August 28, 2013	10-Q	001-12879	10.53	10/10/13	
10.29	\$9,100,000 Term Note effective August 28, 2013	10-Q	001-12879	10.54	10/10/13	
10.31	First Modification of Mortgage and Loan Documents between Griffin Center Development I, LLC, Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.), Tradeport Development I, LLC and Farm Bureau Life Insurance Company, dated June 6, 2014	8-K	001-12879	10.1	6/9/14	
10.32	Amended and Restated Secured Installment Note of Griffin Center Development I, LLC to Farm Bureau Life Insurance Company, dated June 6, 2014	8-K	001-12879	10.2	6/9/14	
10.33	Second Modification of Mortgage and Loan Documents between Tradeport Development I, LLC, Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.), Griffin Center Development I, LLC and Farm Bureau Life Insurance Company, dated June 6, 2014	8-K	001-12879	10.3	6/9/14	
10.34	Amended and Restated Secured Installment Note of Tradeport Development I, LLC to Farm Bureau Life Insurance Company, dated June 6, 2014	8-K	001-12879	10.4	6/9/14	
10.35	Mortgage and Security Agreement between Riverbend Bethlehem Holdings I, LLC and First Niagara Bank, N.A. effective December 31, 2014	10-K	001-12879	10.35	2/13/15	
10.36	\$21,600,000 Term Note effective December 31, 2014	10-K	001-12879	10.37	2/13/15	
10.37	Mortgage, Assignment of Rents and Security Agreement dated July 29, 2015 between Tradeport Development II, LLC and 40 86 Mortgage Capital, Inc.	10-Q	001-12879	10.38	10/9/15	
10.38	\$18,000,000 Promissory Note dated July 29, 2015	10-Q	001-12879	10.39	10/9/15	
10.39	Open-End Mortgage, Assignment of Leases and Rents and Security Agreement by Riverbend Hanover Properties II, LLC as Mortgagor to and for the benefit of Webster Bank, N.A. as Mortgagee dated August 28, 2015 and effective as of September 1, 2015	10-Q	001-12879	10.40	10/9/15	

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Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.40	\$14,100,000 Promissory Note dated September 1, 2015	10-Q	001-12879	10.41	10/9/15	
10.41†	Letter Agreement by and between Griffin Industrial Realty, Inc. and John J. Kirby, Jr. dated July 22, 2015	10-K	001-12879	10.41	2/12/16	
10.42†	Letter Agreement by and between Griffin Industrial Realty, Inc. and David M. Danziger dated March 8, 2016	10-Q	001-12879	10.42	4/8/16	
10.43†	Letter Agreement by and between Griffin Industrial Realty, Inc. and Winston. J. Churchill, Jr. dated May 16, 2016	10-Q	001-12879	10.43	7/8/16	
10.44	\$14,350,000 Promissory Note dated April 26, 2016	10-Q	001-12879	10.44	7/8/16	
10.45	Loan and Security Agreement between Griffin Industrial Realty, Inc. and People’s United Bank, N.A. dated April 26, 2016	10-Q	001-12879	10.45	7/8/16	
10.46	First Amendment to Revolving Line of Credit Loan Agreement with Webster Bank, N.A. dated April 26, 2016	10-Q	001-12879	10.46	7/8/16	
10.47	Second Amendment to Revolving Line of Credit Loan Agreement with Webster Bank, N.A. dated July 22, 2016					*
10.48	Amended and Restated Revolving Line of Credit Note dated July 22, 2016					*
31.1	Certifications of Chief Executive Officer Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended					*
31.2	Certifications of Chief Financial Officer Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended					*
32.1	Certifications of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350					**
32.2	Certifications of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350					**
101.INS	XBRL Instance Document					*
101.SCH	XBRL Taxonomy Extension Schema Document					*
101.CAL	XBRL Taxonomy Calculation Linkbase Document					*
101.LAB	XBRL Taxonomy Label Linkbase Document					*
101.PRE	XBRL Taxonomy Presentation Linkbase Document					*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					*

† A management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 6 of Form 10-Q.

\* Filed herewith.

\*\* Furnished herewith.

SIGNATURES

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

GRIFFIN INDUSTRIAL REALTY, INC.

DATE: October 7, 2016

BY: \_\_\_\_\_ /s/ MICHAEL S. GAMZON  
Michael S. Gamzon  
President and Chief Executive Officer

DATE: October 7, 2016

BY: \_\_\_\_\_ /s/ ANTHONY J. GALICI  
Anthony J. Galici  
Vice President, Chief Financial Officer and Secretary,  
Chief Accounting Officer

**SECOND AMENDMENT TO REVOLVING LINE  
OF CREDIT LOAN AGREEMENT**

This Second Amendment (this “**Amendment**”) is made by and between **WEBSTER BANK, N.A.**, a national banking association having an address at CityPlace II – 185 Asylum Street, Hartford, Connecticut 06103 (“**Lender**”) and **GRIFFIN INDUSTRIAL REALTY, INC.**, formerly known as **GRIFFIN LAND & NURSERIES, INC.**, a Delaware corporation, having an address at One Rockefeller Plaza, Suite 2301, New York, New York 10020 (“**Borrower**”).

**STATEMENT OF FACTS**

- A. On April 24, 2013, Lender made a loan to Borrower in the principal amount of up to **TWELVE MILLION FIVE HUNDRED THOUSAND and NO/100 DOLLARS (\$12,500,000.00)** (“**Loan**”), evidenced by a certain Revolving Line of Credit Note in that amount dated April 24, 2013 (“**Note**”).
- B. In connection with the Loan, Borrower executed and delivered to Lender a Revolving Line of Credit Loan Agreement (“**Loan Agreement**”); the Note, Loan Agreement, and all other documents executed in connection with the indebtedness evidenced by the Note being collectively referred to herein as the “**Loan Documents**”).
- C. The Loan had an initial term of two (2) years expiring on May 1, 2015, with an option to extend for one (1) additional year through May 1, 2016.
- D. The Loan was previously amended by First Amendment to Revolving Line of Credit Loan Agreement, dated April 26, 2016 (“**First Amendment**”), which First Amendment extended the Maturity Date of the Loan from May 1, 2016 to August 1, 2016.
- E. Borrower and Lender have agreed to increase the maximum principal amount of the Loan and to further extend the Maturity Date, and add one additional option to extend the Maturity Date.

**NOW, THEREFORE**, in consideration of the mutual promises herein contained, the receipt and sufficiency of which is hereby acknowledged:

**IT IS AGREED:**

1. **Increase in Maximum Principal Amount of the Advances.** The Loan Agreement is hereby amended by deleting the amount “Twelve Million Five Hundred Thousand and 00/100 Dollars (\$12,500,000.00)”, as it appears in Paragraph 1 of the Loan Agreement, and the amount “Fifteen Million and 00/100 Dollars (\$15,000,000.00)” is substituted for it. The Note is being amended and restated of even date herewith up to the original principal amount of

Fifteen Million and 00/100 Dollars (\$15,000,000.00) ("Restated Note") and all references in the Loan Agreement to the Note shall now mean the Restated Note.

2. **Extension of Maturity Date.** The Maturity Date of the Loan is hereby extended through July 31, 2018, and the following is added to Section 3 of the Loan Agreement:

"D. During the period from August 1, 2016 through July 31, 2018 (the "Second Extended Term"):

(i) Commencing on August 1, 2016 and on the first day of each calendar month thereafter up to and including July 1, 2018, Borrower shall make monthly payments of interest only on any Advances outstanding under the Credit Loan, calculated at the Applicable Interest Rate (hereinafter defined), as well as any other sums that may be due pursuant to the Note, this Agreement or the Mortgages. Said payments, as and when received by the Bank, shall be applied by it first, to the payment of any late charges due hereunder; second, to the payment of interest computed at the Applicable Interest Rate; and the balance, if any, toward the satisfaction of the outstanding Advances under the Credit Loan; and

(ii) The entire outstanding Advances under the Credit Loan, together with all interest accrued and unpaid thereon calculated at the Applicable Interest Rate and all other sums due under the Note, this Agreement, the Mortgages or any other document executed and delivered by Borrower to the Bank in connection with the Credit Loan (collectively, the "Other Security Documents"), shall be due and payable on July 31, 2018 (the "Second Extended Maturity Date"), unless extended in accordance with Section 8 hereof, or sooner as provided herein."

3. **Extension of Extended Maturity Date.** Borrower is granted the right to extend the term for one (1) additional year thereafter (the "Third Extended Term"), and the following is added to Section 3 of the Loan Agreement:

"E. If the Credit Loan is extended for one (1) additional period of one (1) year (the "Third Extended Term") in accordance with Section 8 hereof:

(i) Commencing August 1, 2018 and on the first day of each calendar month of the Third Extended Term up to and including July 1, 2019, Borrower shall make monthly payments of interest only on any Advances outstanding under the Credit Loan, calculated at the Applicable Interest Rate, as well as any other sums that may be due pursuant to the Note, this Agreement or the Mortgages. Said payments, as and when received by the Bank, shall be applied by it first, to the payment of any late charges due hereunder; second, to the payment of interest computed at the Applicable Interest Rate; and the balance, if any, toward the satisfaction of the outstanding Advances under the Credit Loan; and

(ii) The entire outstanding Advances under the Credit Loan, together with all interest accrued and unpaid thereon calculated at the Applicable Interest Rate and all other sums due under the Note, this Agreement, the Mortgages or the Other Security Documents shall be due and payable on July 31, 2019 (the "Third Extended Maturity Date") or sooner as provided herein."

4. **Fees.** Upon execution of this Amendment, Borrower shall pay a fee of ½ of one percent (0.50%) of the maximum face amount of the Credit Loan. Borrower shall pay on each anniversary of the date hereof the following fee: (i) 1/8th of one percent (0.125%) of the average undrawn portion of the Credit Loan, if the average outstanding Advances of the Credit Loan, calculated on a twelve (12) month basis for the preceding twelve (12) months, are equal to or less than one hundred percent (100%) of the Credit Loan. In addition, Borrower shall pay a fee of 1/4 of one percent (0.25%) of maximum face amount of the Credit Loan if Borrower exercises the Third Extension Term as more fully addressed in Section 8 of the Loan Agreement. Borrower hereby acknowledges and agrees that the Bank is authorized to pay itself the foregoing fees on the dates specified herein.

5. **Extension Option.** Section 8 of the Loan Agreement is amended by adding the following:

“The Credit Loan shall expire on the Second Extended Maturity Date. Notwithstanding the foregoing, Borrower shall have the option to extend the Credit Loan for one (1) additional period of one (1) year following the Second Extended Maturity Date (the “Third Extension Option”) on all of the same terms and conditions contained in this Section 8.”

6. **Affirmative Covenants.** Section 11(a) of the Loan Agreement is hereby deleted and replaced with the following:

“(a) Debt Service Coverage Ratio. At all times during the term of the Credit Loan, Borrower shall maintain a minimum debt service coverage ratio (“DSCR”) of the Property equal to or greater than 1.25x. This covenant shall be tested annually as of November 30<sup>th</sup> of each year during the term of the Credit Loan. DSCR is defined as net operating income plus interest, depreciation and amortization divided by annual interest due under the Credit Loan (calculated as if the Credit Loan was fully advanced).”

Section 11(d) of the Loan Agreement, entitled “Current Liquidity,” is hereby deleted in its entirety.

7. **Reaffirmation by Borrower.** Borrower hereby represents and warrants to Lender that:

- a. As of the date of this Amendment, there exists no default or Event of Default (as defined in the Loan Documents) under the Loan Documents and no circumstance which would constitute an Event of Default after the giving of notice or the passage time, or both;
- b. The unpaid principal balance of the indebtedness evidenced by the Note, if any, is due and owing pursuant to and in accordance with the terms of the Note and Loan Documents, as amended herein, without any claim, offset,

or defense by or from the Borrower, all of which are hereby specifically waived and released;

- c. No claim, counterclaim, offset, or defense exists with respect to the full and timely performance of all other duties, obligations, covenants and warranties of the Borrower set forth in the Note and Loan Documents, all of which are specifically waived and released; and
- d. There are no claims, litigation, or proceedings pending or, to the best of the knowledge of the person signing on behalf of the Borrower, threatened against the Borrower or the Property (as defined in the Loan Documents), which, if determined against the Borrower or Property will materially and adversely affect the Property or the ability of the Borrower to perform any duties and obligations under the Note and Loan Documents.

8. **Defined Terms.** Any defined terms not defined herein shall have the same meaning and definition as is contained in the Loan Agreement or other Loan Documents, as applicable.

9. **Survival.** The Loan Agreement, as modified herein, is hereby ratified and shall remain in full force and effect.

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SIGNATURES APPEAR ON FOLLOWING PAGE

SIGNED as of the 22nd day of July, 2016.

WEBSTER BANK, N.A.

By /s/ STEPHEN J. ANDERSON \_\_\_\_\_

Stephen J. Anderson  
Its Vice President

GRIFFIN INDUSTRIAL REALTY, INC.

By /s/ ANTHONY J. GALICI \_\_\_\_\_

Anthony J. Galici  
Its Vice President and Chief Financial Officer

*Reference is made to that certain Revolving Line of Credit Note in the original principal amount of TWELVE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$12,500,000.00) from GRIFFIN LAND & NURSERIES, INC. now known as GRIFFIN INDUSTRIAL REALTY, INC. ("Borrower") to WEBSTER BANK, N.A. ("Lender") dated April 24, 2013 ("Original Note").*

*Borrower and Lender desire to modify the terms of the Original Note and hereby agree to amend and restate the Original Note in its entirety pursuant to the terms of the following Amended and Restated Revolving Line of Credit Note. The execution and delivery of this Amended and Restated Revolving Line of Credit Note by Borrower, and the acceptance by Lender, is not intended, and shall not be deemed or construed, to effect a novation or to pay, satisfy or discharge all or any part of the outstanding indebtedness evidenced by the Original Note, the security interests, or contractual and legal rights securing all or any part of such indebtedness. The indebtedness evidenced by this Amended and Restated Revolving Line of Credit Note shall constitute a substitution of the indebtedness outstanding under the Original Note, which indebtedness shall continue to be outstanding and shall be due and payable in accordance with the terms of this Amended and Restated Revolving Line of Credit Note.*

**AMENDED AND RESTATED  
REVOLVING LINE OF CREDIT NOTE**

**\$15,000,000.00**

**July 22, 2016**

FOR VALUE RECEIVED, the undersigned, **GRIFFIN INDUSTRIAL REALTY, INC.**, a Delaware corporation, having an address and place of business at One Rockefeller Plaza, Suite 2301, New York, New York 10020 ("Borrower" or "Maker"), hereby promises to pay to the order of **WEBSTER BANK, N. A.**, a national banking association with an office at CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103 ("Lender" or "Bank"), at such address or at such other place as the holder hereof (including Lender, hereinafter referred to as "Holder") may designate, the principal sum of **FIFTEEN MILLION AND NO/100 DOLLARS (\$15,000,000.00)** or, if less, the aggregate unpaid principal amount of all Advances which shall have been made by Holder to Maker pursuant to the terms of that certain Revolving Line of Credit Loan Agreement between Borrower and Lender of even date herewith (as amended, amended and restated, supplemented, or otherwise modified and in effect from time to time, the "Loan Agreement"), together with interest on the unpaid principal amount of this Note beginning as of the date hereof, before or after maturity or judgment, payable at the rates, at the times and in the manner as provided in the Loan Agreement, and together with all taxes levied or assessed on this Note or the debt evidenced hereby against Holder (other than taxes on the overall net income or gross receipts of Holder), and together with all costs, expenses and reasonable attorneys' and other professional fees incurred in any action to collect this Note or to enforce, defend, protect, preserve, foreclose or realize upon any mortgage, lien, security interest or other collateral securing this Note or to enforce, foreclose, defend, preserve, protect or sustain

any such mortgage, lien or security interest or guaranty or other agreement or in any litigation or controversy arising from or connected with any of the foregoing. Capitalized terms used in this Note and not otherwise defined herein shall have the meanings assigned in the Loan Agreement.

This Note is intended to be the "Note" referred to in, and evidences the Advances under, and has been issued by Maker in accordance with the terms of the Loan Agreement, as amended by the First Amendment to Revolving Line of Credit Loan Agreement dated April 26, 2016 and the Second Amendment to Revolving Line of Credit Loan Agreement of even date herewith. Payments on this Note may be evidenced in accordance with the terms of the Loan Agreement. Holder shall be entitled to the benefits of the Loan Agreement and the other Financing Agreements and may enforce the agreements of Maker contained therein, and Holder may exercise the respective remedies provided for thereby or otherwise available in respect thereof, all in accordance with the terms thereof. Holder shall have the right (but not the obligation), in its sole discretion following the occurrence of an Event of Default, to charge any amounts due hereunder to any account maintained by Maker with Holder.

All computations of interest with respect to this Note shall be made on the basis of a 360 day year and the actual number of days elapsed. Unless sooner accelerated as a result of the occurrence of an Event of Default or as otherwise provided in the Loan Agreement, principal, accrued and unpaid interest and any other sums due hereunder shall be due and payable in full, in Dollars and in immediately available funds on the Maturity Date, or the Extended Maturity Date, if properly exercised. Whenever any payment of principal of, or interest shall be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day unless such Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest and fees thereon shall be payable for such extended time.

Maker has the right to request Advances, repay all or a portion of outstanding Advances and to request to re-borrow Revolving Loan Advances, all on the terms and conditions specified in the Loan Agreement.

Maker agrees that: (i) if any installment of interest, principal or any other sum due under this Note shall not be paid within ten (10) days after it is due and payable; or (ii) if any other Event of Default shall occur, then, upon the happening of any such event, the entire indebtedness with accrued interest thereon due under this Note shall, automatically or at the option of Holder, as the case may be as provided in the Loan Agreement, accelerate and become immediately due and payable without notice. Failure to exercise such option shall not constitute a waiver of the right to exercise the same in the event of any subsequent Event of Default. Notwithstanding anything to the contrary contained herein, upon the occurrence of such an Event of Default or after maturity or judgment, at Holder's option, the interest rate on this Note shall automatically increase without notice or demand to a per annum rate equal to the Default Rate.

In the event Maker fails to pay any installment of interest, principal and/or any other installment sum due hereunder or under the Loan Agreement (but not the principal payment due at maturity) for more than ten (10) days from the date it is due and payable, without in any way affecting Holder's right to declare an Event of Default to have occurred, a late charge equal to

five (5%) percent of such late payment shall be assessed against Maker and shall be immediately due and payable without demand or notice of any kind.

Maker agrees that no delay or failure on the part of Holder in exercising any power, privilege, remedy, option or right hereunder shall operate as a waiver thereof or of any other power, privilege, remedy or right; nor shall any single or partial exercise of any power, privilege, remedy, option or right hereunder preclude any other or future exercise thereof or the exercise of any other power, privilege, remedy, option or right. The rights and remedies expressed herein and in the Loan Agreement are cumulative, and may be enforced successively, alternatively, or concurrently and are not exclusive of any rights or remedies which Holder may or would otherwise have under the provisions of all applicable laws, and under the provisions of all agreements between Maker and Holder or between any endorser or guarantor and Holder.

All agreements between Maker and Holder are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of maturity of any of the sums due under the Loan Agreement, shall the amount paid or agreed to be paid to Holder for the use or the forbearance exceed the maximum permissible under applicable law. As used herein, "applicable law" shall mean the law in effect as of the date hereof provided, however, that in the event there is a change in the law which results in a higher permissible rate of interest, then this Note and the other Financing Agreements shall be governed by such new law as of its effective date. In this regard, it is expressly agreed that it is the intent of Maker and Holder in the execution, delivery and acceptance of the Financing Agreements to contract in strict compliance with the laws of the State of Connecticut from time to time in effect. If, under or from any circumstances whatsoever, fulfillment of any provision hereof or of any of the other Financing Agreements at the time of performance of such provision shall be due, shall involve transcending the limit of such validity prescribed by applicable law, then the obligation to be fulfilled shall automatically be reduced to the limits of such validity, and if under or from any circumstances whatsoever Holder should ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the principal balance of the Advances, in such manner and order of priority as Holder shall determine, in its sole discretion, and not to the payment of interest. This provision shall control every other provision of all agreements between Maker and Holder.

Failure by Holder to insist upon the strict performance by Maker of any terms and provisions herein shall not be deemed to be a waiver of any terms and provisions herein, and Holder shall retain the right thereafter to insist upon strict performance by Maker of any and all terms and provisions of this Note or any document securing the repayment of this Note.

**Prejudgment Remedy Waiver and Jury Waiver.**

**(a) Prejudgment Remedy. MAKER ACKNOWLEDGES THAT THE LOANS PROVIDED FOR HEREIN ARE COMMERCIAL TRANSACTIONS AND EACH WAIVES ITS RESPECTIVE RIGHT TO NOTICE AND HEARING UNDER CHAPTER 903a OF THE CONNECTICUT GENERAL STATUTES, OR AS OTHERWISE ALLOWED BY ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH THE HOLDER MAY DESIRE TO USE, AND FURTHER WAIVES DILIGENCE, DEMAND, PRESENTMENT FOR PAYMENT,**

**NOTICE OF NONPAYMENT, PROTEST AND NOTICE OF ANY RENEWALS OR EXTENSIONS.**

(b) **Jury Waiver.** MAKER HEREBY EXPRESSLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION (1) ARISING UNDER THIS NOTE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR (2) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS NOTE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND MAKER HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THE HOLDER MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF MAKER TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

(c) **Voluntary Nature of Waivers.** MAKER ACKNOWLEDGES THAT IT MAKES THE FOREGOING WAIVERS IN (A) AND (B) ABOVE, KNOWINGLY, WILLINGLY, WITHOUT DURESS AND VOLUNTARILY AND ONLY AFTER CONSIDERATION OF THE RAMIFICATIONS OF SUCH WAIVERS WITH ITS ATTORNEYS.

(d) **Consequential Damages.** NONE OF THE HOLDER OR MAKER, OR ANY AGENT OR ATTORNEY OF EITHER OF THEM SHALL BE LIABLE TO ANY OF THE OTHERS FOR CONSEQUENTIAL DAMAGES ARISING FROM ANY BREACH OF CONTRACT, TORT, OR OTHER WRONG RELATING TO THE ESTABLISHMENT, ADMINISTRATION, OR COLLECTION OF THE OBLIGATIONS RELATING IN ANY WAY TO THIS NOTE, OR ANY OTHER FINANCING AGREEMENT, OR THE ACTION OR INACTION OF ANY OF SUCH PERSONS UNDER ANY ONE OR MORE HEREOF OR THEREOF.

This Note shall be governed by the laws of the State of Connecticut (without regard to its conflicts of law provisions).

**IN WITNESS WHEREOF**, the undersigned has caused this Note to be executed by its authorized officers as of the day and year first above written.

**GRIFFIN INDUSTRIAL REALTY, INC.**

By: /s/ ANTHONY J. GALICI

Anthony J. Galici

Its Vice President and Chief Financial Officer

I, Michael S. Gamzon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Griffin Industrial Realty, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 7, 2016

/s/ MICHAEL S. GAMZON

Michael S. Gamzon

President and Chief Executive Officer

I, Anthony J. Galici, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Griffin Industrial Realty, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 7, 2016

/s/ ANTHONY J. GALICI

Anthony J. Galici

Vice President, Chief Financial Officer and Secretary

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 UNITED STATES CODE SECTION 1350**

In connection with the Quarterly Report of Griffin Industrial Realty, Inc. (the “Company”) on Form 10-Q for the quarter ended August 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Periodic Report”), I, Michael S. Gamzon, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL S. GAMZON

Michael S. Gamzon  
President and Chief Executive Officer  
October 7, 2016

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 UNITED STATES CODE SECTION 1350

In connection with the Quarterly Report of Griffin Industrial Realty, Inc. (the “Company”) on Form 10-Q for the quarter ended August 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Periodic Report”), I, Anthony J. Galici, Vice President, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANTHONY J. GALICI

Anthony J. Galici

Vice President, Chief Financial Officer and Secretary

October 7, 2016