GRIFFON CORP
Form 10-Q
April 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

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

For the transition period from to

Commission File Number: 1-06620

GRIFFON CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	11-1893410
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
712 Fifth Ave, 18th Floor, New York, New York	10019
(Address of principal executive offices)	(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes o 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 definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The number of shares of common stock outstanding at March 31, 2015 was 51,045,387.

Griffon Corporation and Subsidiaries

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Part I – Financial Information
Item 1 – Financial Statements

GRIFFON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	(Unaudited) March 31, 2015	September 30, 2014
CURRENT ASSETS		
Cash and equivalents	$42,602	$92,405
Accounts receivable, net of allowances of $6,121 and $7,336	286,452	258,436
Contract costs and recognized income not yet billed, net of progress payments of $14,592 and $16,985 at March 31, 2015 and September 30, 2014, respectively.	94,844	109,930
Inventories, net	320,297	290,135
Prepaid and other current assets	44,525	62,569
Assets of discontinued operations	1,638	1,624
Total Current Assets	790,358	815,099
PROPERTY, PLANT AND EQUIPMENT, net	361,200	370,565
GOODWILL	358,695	371,846
INTANGIBLE ASSETS, net	220,811	233,623
OTHER ASSETS	13,943	13,302
ASSETS OF DISCONTINUED OPERATIONS	2,246	2,126
Total Assets	$1,747,253	$1,806,561
CURRENT LIABILITIES		
Notes payable and current portion of long-term debt	$9,162	$7,886
Accounts payable	182,369	218,703
Accrued liabilities	84,494	101,292
Liabilities of discontinued operations	2,528	3,282
Total Current Liabilities	278,553	331,163
LONG-TERM DEBT, net	858,315	791,301
OTHER LIABILITIES	142,229	148,240
LIABILITIES OF DISCONTINUED OPERATIONS	3,524	3,830
Total Liabilities	1,282,621	1,274,534
COMMITMENTS AND CONTINGENCIES - See Note 19		
SHAREHOLDERS’ EQUITY		
Total Shareholders’ Equity	464,632	532,027
Total Liabilities and Shareholders’ Equity	$1,747,253	$1,806,561

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GRIFFON CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited)

(in thousands)	COMMON STOCK SHARES	COMMON STOCK PAR VALUE	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	TREASURY SHARES SHARES	TREASURY SHARES COST	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFERRED COMPENSATION	Total
Balance at September 30, 2014	78,484	$19,621	$506,090	$427,913	25,335	$(354,216)	$(30,064)	$(37,317)	$532,027
Net income	—	—	—	12,593	—	—	—	—	12,593
Dividend	—	—	—	(3,911)	—	—	—	—	(3,911)
Tax effect from exercise/vesting of equity awards, net	—	—	345	—	—	—	—	—	345
Amortization of deferred compensation	—	—	—	—	—	—	—	1,391	1,391
Common stock issued	51	13	272	—	—	—	—	—	285
Common stock acquired	—	—	—	—	2,683	(37,577)	—	—	(37,577)
Common stock issued for equity awards, net	528	132	(150)	—	—	—	—	—	(18)
ESOP allocation of common stock	—	—	327	—	—	—	—	—	327
Stock-based compensation	—	—	5,372	—	—	—	—	—	5,372
Other comprehensive loss, net of tax	—	—	—	—	—	—	(46,202)	—	(46,202)
Balance at March 31, 2015	79,063	$19,766	$512,256	$436,595	28,018	$(391,793)	$(76,266)	$(35,926)	$464,632

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

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GRIFFON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Revenue	$500,020	$507,687	$1,002,180	$961,145
Cost of goods and services	385,645	397,700	769,816	745,655
Gross profit	114,375	109,987	232,364	215,490
Selling, general and administrative expenses	93,566	89,622	187,462	177,302
Restructuring and other related charges	—	692	—	1,534
Total operating expenses	93,566	90,314	187,462	178,836
Income from operations	20,809	19,673	44,902	36,654
Other income (expense)				
Interest expense	(12,012)	(12,389)	(23,766)	(25,523)
Interest income	155	28	272	61
Loss from debt extinguishment, net	—	(38,890)	—	(38,890)
Other, net	(757)	783	(1,208)	1,689
Total other expense, net	(12,614)	(50,468)	(24,702)	(62,663)
Income (loss) before taxes	8,195	(30,795)	20,200	(26,009)
Provision (benefit) for income taxes	3,073	(4,970)	7,607	(3,420)
Net income (loss)	$5,122	$(25,825)	$12,593	$(22,589)
Basic income per common share	$0.11	$(0.53)	$0.27	$(0.44)
Weighted-average shares outstanding	45,349	48,990	45,829	50,872
Diluted income per common share	$0.11	$(0.53)	$0.26	$(0.44)
Weighted-average shares outstanding	47,669	48,990	47,682	50,872
Dividends paid per common share	$0.04	$0.03	$0.08	$0.06
Net income (loss)	$5,122	$(25,825)	$12,593	$(22,589)
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustments	(30,384)	1,224	(45,884)	(1,913)
Pension and other post retirement plans	353	1,099	706	1,415
Loss on cash flow hedge	(80)	—	(154)	—
Gain (loss) on available-for-sale securities	92	—	(870)	—
Total other comprehensive income (loss), net of taxes	(30,019)	2,323	(46,202)	(498)
Comprehensive income (loss), net	$(24,897)	$(23,502)	$(33,609)	$(23,087)

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

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GRIFFON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Six Months Ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$12,593	$(22,589)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	34,453	33,232
Stock-based compensation	5,372	4,996
Asset impairment charges - restructuring	—	169
Provision for losses on accounts receivable	242	132
Amortization of debt discounts and issuance costs	3,265	3,188
Loss from debt extinguishment, net	—	38,890
Deferred income taxes	1,282	(57)
(Gain) loss on sale/disposal of assets and investments	(315)	180
Change in assets and liabilities, net of assets and liabilities acquired:		
Increase in accounts receivable and contract costs and recognized income not yet billed	(23,424)	(46,834)
Increase in inventories	(39,252)	(23,858)
Decrease in prepaid and other assets	754	3,482
Decrease in accounts payable, accrued liabilities and income taxes payable	(40,244)	(18,713)
Other changes, net	2,223	1,206
Net cash used in operating activities	(43,051)	(26,576)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(39,713)	(34,845)
Acquired businesses, net of cash acquired	—	(22,781)
Proceeds from sale of assets	177	294
Proceeds from sale of investments	8,891	—
Net cash used in investing activities	(30,645)	(57,332)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	285	584
Dividends paid	(3,911)	(3,290)
Purchase of shares for treasury	(37,577)	(63,370)
Proceeds from long-term debt	99,556	644,514
Payments of long-term debt	(29,425)	(586,310)
Change in short-term borrowings	(572)	4,908
Financing costs	(590)	(10,687)
Purchase of ESOP shares	—	(10,000)
Tax benefit from exercise/vesting of equity awards, net	345	273
Other, net	95	144
Net cash provided by (used in) financing activities	28,206	(23,234)
CASH FLOWS FROM DISCONTINUED OPERATIONS:		

Net cash used in operating activities	(545)	(640)
Net cash used in discontinued operations	(545)	(640)
Effect of exchange rate changes on cash and equivalents	(3,768)	(415)
NET DECREASE IN CASH AND EQUIVALENTS	(49,803)	(108,197)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	92,405	178,130
CASH AND EQUIVALENTS AT END OF PERIOD	$42,602	$69,933

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

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GRIFFON CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(US dollars and non US currencies in thousands, except per share data)
(Unaudited)
(Unless otherwise indicated, references to years or year-end refer to Griffon's fiscal period ending September 30)

NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

About Griffon Corporation

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

Griffon currently conducts its operations through three reportable segments:

- Home & Building Products ("HBP") consists of two companies, The AMES Companies, Inc. ("AMES") and Clopay Building Products Company, Inc. ("CBP"):

- AMES is a global provider of non-powered landscaping products that make work easier for homeowners and professionals.

- CBP is a leading manufacturer and marketer of residential, commercial and industrial garage doors to professional installing dealers and major home center retail chains.

- Telephonics Corporation ("Telephonics") designs, develops and manufactures high-technology integrated information, communication and sensor system solutions to military and commercial markets worldwide.

- Clopay Plastic Products Company, Inc. ("Plastics") is an international leader in the development and production of embossed, laminated and printed specialty plastic films used in a variety of hygienic, health-care and industrial applications.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements do not include all the information and footnotes required by U.S. GAAP for complete financial statements. As such, they should be read with reference to Griffon's Annual Report on Form 10-K for the year ended September 30, 2014, which provides a more complete explanation of Griffon's accounting policies, financial position, operating results, business properties and other matters. In the opinion of management, these financial statements reflect all adjustments considered necessary for a fair statement of interim results. Griffon's HBP operations are seasonal; for this and other reasons, the financial results of the Company for any interim period are not necessarily indicative of the results for the full year.

The condensed consolidated balance sheet information at September 30, 2014 was derived from the audited financial statements included in Griffon's Annual Report on Form 10-K for the year ended September 30, 2014.

The consolidated financial statements include the accounts of Griffon and all subsidiaries. Intercompany accounts and transactions have been eliminated on consolidation.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. These estimates may be adjusted due to changes in economic, industry or customer financial conditions, as well as changes in technology or demand. Significant estimates include allowances for doubtful accounts receivable and returns, net realizable value of inventories, restructuring reserves, valuation of goodwill and intangible assets, percentage of completion method of accounting, pension assumptions, useful lives associated with depreciation and amortization of intangible and fixed assets, warranty reserves, sales incentive accruals, stock based

compensation assumptions, income taxes and tax valuation reserves, environmental reserves, legal reserves, insurance reserves and the valuation of assets and liabilities of discontinued operations, acquisition assumptions used and the accompanying disclosures. These estimates are based on management's best knowledge of current events and actions Griffon may undertake in the future. Actual results may ultimately differ from these estimates.

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

NOTE 2 – FAIR VALUE MEASUREMENTS

The carrying values of cash and equivalents, accounts receivable, accounts and notes payable, and revolving credit debt approximate fair value due to either the short-term nature of such instruments or the fact that the interest rate of the revolving credit debt is based upon current market rates.

Applicable accounting guidance establishes a fair value hierarchy requiring the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. The accounting guidance establishes three levels of inputs that may be used to measure fair value, as follows:

- Level 1 inputs are measured and recorded at fair value based upon quoted prices in active markets for identical assets.

- Level 2 inputs include inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets or liabilities.

- Level 3 inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The fair values of Griffon's 2022 senior notes and 2017, 4% convertible notes approximated $594,000 and $129,813, respectively, on March 31, 2015. Fair values were based upon quoted market prices (level 1 inputs).

Insurance contracts with values of $3,397 at March 31, 2015, are measured and recorded at fair value based upon quoted prices in active markets for similar assets (level 2 inputs) and are included in Prepaid and other current assets on the Consolidated Balance Sheets.

Items Measured at Fair Value on a Recurring Basis

At March 31, 2015, trading securities, measured at fair value based on quoted prices in active markets for similar assets (level 2 inputs), with a fair value of $1,267 ($1,000 cost basis) were included in Prepaid and other current assets on the Consolidated Balance Sheets. During the current quarter, the Company settled all outstanding available-for-sale securities with proceeds totaling $8,891 and recognized a gain of $489 in Other income, and accordingly, gains on available-for-sale securities were reclassified out of Accumulated other comprehensive income (loss) ("AOCI"). Realized and unrealized gains and losses on trading securities, and realized gains and losses on available-for-sale securities are included in Other income in the Consolidated Statements of Operations and Comprehensive Income (Loss).

In the normal course of business, Griffon's operations are exposed to the effect of changes in foreign currency exchange rates. To manage these risks, Griffon may enter into various derivative contracts such as foreign currency exchange contracts, including forwards and options. During 2015, Griffon entered into several such contracts in order

to lock into a foreign currency rate for planned settlements of trade and inter-company liabilities payable in US dollars. At inception, these hedges were all deemed effective as cash flow hedges with gains and losses related to changes in fair value deferred and recorded in Other comprehensive income (loss) and Prepaid and other current assets until settlement. Upon settlement, gains and losses were recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss) as Other income. Griffon had $5,378 of Australian dollar contracts at a weighted average rate of $1.29, which qualified for hedge accounting at March 31, 2015. AOCI included

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deferred gains of $134 ($98, net of tax) at March 31, 2015. All contracts expire in 15 to 105 days. Gains of $151 and $239 were recorded in Other Income during the quarter and six months ended March 31, 2015, respectively, for all settled contracts.

At March 31, 2015, Griffon had $2,408 of Canadian dollar contracts at a weighted average rate of $1.27. The contracts, which protect Canada operations from currency fluctuations for U.S. dollar based purchases, do not qualify for hedge accounting. For the quarter and six months ended March 31, 2015, a fair value gain of $163 and $256, respectively, was recorded in Other assets and to Other income for the outstanding contracts, based on similar contract values (level 2 inputs). All contracts expire in 16 to 196 days. Losses of $41 and $42 were recorded in Other Income during the quarter and six months ended March 31, 2015, respectively, for all settled contracts.

NOTE 3 – ACQUISITIONS

On May 21, 2014, AMES acquired the Australian Garden and Tools business of Illinois Tool Works, Inc. (“Cyclone”) for approximately $40,000, including a $4,000 working capital adjustment. Cyclone, which was integrated with AMES, offers a full range of quality garden and hand tool products sold under various leading brand names including Cyclone®, Nylex® and Trojan®, designed to meet the requirements of both the Do-it-Yourself and professional trade segments. Selling, General and Administrative ("SG&A") expenses included $2,363 of related acquisition costs recorded in the third and fourth quarters of 2014.

On December 31, 2013, AMES acquired Northcote Pottery (“Northcote”), founded in 1897 and a leading brand in the Australian outdoor planter and decor market, for approximately $22,000. Northcote, which was integrated with AMES, complements Southern Patio, acquired in 2011, and, with Cyclone, adds to AMES’ existing lawn and garden operations in Australia. First quarter 2014 SG&A expenses included $798 of related acquisition costs.

The accounts of the acquired companies, after adjustment to reflect fair market values (level 3 inputs), have been included in the consolidated financial statements from the date of acquisition; in each instance, acquired inventory was not significant. Griffon is in the process of finalizing the initial purchase price allocation for Cyclone as of the date of these financial statements, primarily with respect to the finalization of tax accounts.

The following table summarizes the fair values of the Cyclone and Northcote assets and liabilities as of the date of acquisition:

	Cyclone	Northcote	Total
Current Assets, net of cash acquired	$21,116	$7,398	$28,514
PP&E	488	1,385	1,873
Goodwill	11,322	11,254	22,576
Amortizable intangible assets	11,608	6,098	17,706
Indefinite life intangible assets	3,548	3,121	6,669
Total assets acquired	48,082	29,256	77,338
Total liabilities assumed	(8,557)	(7,475)	(16,032)
Net assets acquired	$39,525	$21,781	$61,306

Amounts assigned to major intangible assets, none of which are tax deductible, for Cyclone and Northcote are as follows:

	Cyclone	Northcote	Total	Amortization Period (Years)
Goodwill	$11,322	$11,254	22,576	N/A
Tradenames	3,548	3,121	6,669	Indefinite
Customer relationships	11,608	6,098	17,706	25
	$26,478	$20,473	46,951	

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NOTE 4 – INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out or average) or market.

The following table details the components of inventory:

	At March 31, 2015	At September 30, 2014
Raw materials and supplies	$79,885	$75,560
Work in process	78,573	67,866
Finished goods	161,839	146,709
Total	$320,297	$290,135

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

The following table details the components of property, plant and equipment, net:

	At March 31, 2015	At September 30, 2014
Land, building and building improvements	$120,192	$127,714
Machinery and equipment	717,505	720,417
Leasehold improvements	45,916	42,852
	883,613	890,983
Accumulated depreciation and amortization	(522,413)	(520,418)
Total	$361,200	$370,565

Depreciation and amortization expense for property, plant and equipment was $15,279 and $14,491 for the quarters ended March 31, 2015 and 2014, respectively, and $30,558 and $29,396 for the six months ended March 31, 2015 and 2014, respectively. Depreciation included in SG&A expenses was $3,262 and $2,394 for the quarters ended March 31, 2015 and 2014, respectively, and $6,432 and $5,236 for the six months ended March 31, 2015 and 2014. Remaining components of depreciation, attributable to manufacturing operations, are included in Cost of goods and services.

No event or indicator of impairment occurred during the six months ended March 31, 2015, which would require additional impairment testing of property, plant and equipment.

NOTE 6 – GOODWILL AND OTHER INTANGIBLES

The following table provides changes in the carrying value of goodwill by segment during the six months ended March 31, 2015:

	At September 30, 2014	Other adjustments including currency translations	At March 31, 2015
Home & Building Products	$288,396	$(2,467)	$285,929
Telephonics	18,545	—	18,545
Plastics	64,905	(10,684)	54,221
Total	$371,846	$(13,151)	$358,695

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

	At March 31, 2015			At September 30, 2014	
	Gross Carrying Amount	Accumulated Amortization	Average Life (Years)	Gross Carrying Amount	Accumulated Amortization
Customer relationships	$171,047	$36,594	25	$180,282	$35,280
Unpatented technology	6,069	3,285	13	6,500	3,313
Total amortizable intangible assets	177,116	39,879		186,782	38,593
Trademarks	83,574	—		85,434	—
Total intangible assets	$260,690	$39,879		$272,216	$38,593

Amortization expense for intangible assets was $1,914 and $1,949 for the quarters ended March 31, 2015 and 2014, respectively and $3,895 and $3,836 for the six months ended March 31, 2015 and 2014, respectively.

No event or indicator of impairment occurred during the six months ended March 31, 2015, which would require impairment testing of long-lived intangible assets including goodwill.

NOTE 7 – INCOME TAXES

In both the quarter and six months ended March 31, 2015, the Company reported pre-tax income compared to losses in the prior year respective periods. The effective tax rates for the quarter and six months ended March 31, 2015 were provisions of 37.5% and 37.7%, respectively, compared to benefits of 16.1% and 13.2%, in the comparable period year periods, respectively. The current and prior year tax rates reflect the impact of permanent differences not deductible in determining taxable income, changes in earnings mix between domestic and non-domestic operations, and tax reserves.

The quarter and six months ended March 31, 2015 included net tax provisions of $145 and $494, respectively, for discrete items resulting primarily from provision for taxes on repatriation of foreign earnings, partially offset by the benefit of the retroactive extension of the federal R&D credit signed into law December 19, 2014, and release of a valuation allowance. The comparable prior year periods included $609 and $320, respectively, of provisions for discrete items primarily resulting from the conclusion of tax audits in certain jurisdictions and the impact of tax law changes.

Excluding discrete items, the effective tax rates for the quarter and six months ended March 31, 2015 were 35.7% and 35.2%, respectively, compared to benefit rates of 18.1% and 14.4% in the comparable prior year periods, respectively.

NOTE 8 – LONG-TERM DEBT

		At March 31, 2015					At September 30, 2014				
		Outstanding Balance	Original Issuer Discount	Capitalized Fees & Expenses	Balance Sheet	Coupon Interest Rate (1)	Outstanding Balance	Original Issuer Discount	Capitalized Fees & Expenses	Balance Sheet	Coupon Interest Rate (1)
Senior notes due 2022	(a)	$600,000	$—	$(8,909)	$591,091	5.25%	$600,000	$—	$(9,553)	$590,447	5.25%
Revolver due 2020	(a)	95,000	—	(2,278)	92,722	n/a	25,000	—	(2,009)	22,991	n/a
Convert. debt due 2017	(b)	100,000	(7,632)	(813)	91,555	4.00%	100,000	(9,584)	(1,034)	89,382	4.00%
Real estate mortgages	(c)	15,958	—	(504)	15,454	n/a	16,388	—	(576)	15,812	n/a
ESOP Loans	(d)	37,845	—	(257)	37,588	n/a	38,946	—	(262)	38,684	n/a
Capital lease - real estate	(e)	8,044	—	(169)	7,875	5.00%	8,551	—	(181)	8,370	5.00%
Non U.S. lines of credit	(f)	4,491	—	—	4,491	n/a	3,306	—	—	3,306	n/a
Non U.S. term loans	(g)	25,191	—	(112)	25,079	n/a	28,470	—	(161)	28,309	n/a
Other long term debt	(h)	1,635	—	(13)	1,622	n/a	1,910	—	(24)	1,886	n/a
Totals		888,164	(7,632)	(13,055)	867,477		822,571	(9,584)	(13,800)	799,187	
less: Current portion		(9,162)	—	—	(9,162)		(7,886)	—	—	(7,886)	
Long-term debt		$879,002	$(7,632)	$(13,055)	$858,315		$814,685	$(9,584)	$(13,800)	$791,301	

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		Three Months Ended March 31, 2015					Three Months Ended March 31, 2014				
		Effective Interest Rate (1)	Cash Interest	Amort. Debt Discount	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense	Effective Interest Rate (1)	Cash Interest	Amort. Debt Discount	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense
Senior notes due 2018	(a)	n/a	$—	$—	$—	$—	7.1 %	$6,133	$—	$261	$6,394
Senior notes due 2022	(a)	5.5 %	7,875	—	322	8,197	5.3	2,800	—	111	2,911
Revolver due 2020	(a)	n/a	659	—	133	792	n/a	306	—	142	448
Convert. debt due 2017	(b)	9.2 %	1,000	990	110	2,100	9.3 %	1,000	909	110	2,019
Real estate mortgages	(c)	3.8 %	116	—	36	152	3.8 %	122	—	37	159
ESOP Loans	(d)	2.9 %	254	—	18	272	3.4 %	180	—	5	185
Capital lease - real estate	(e)	5.3 %	102	—	6	108	5.3 %	114	—	7	121
Non U.S. lines of credit	(f)	n/a	109	—	—	109	n/a	224	—	—	224
Non U.S. term loans	(g)	n/a	337	—	14	351	n/a	101	—	—	101
Other long term debt	(h)	n/a	22	—	2	24	n/a	—	—	—	—
Capitalized interest			(93)	—	—	(93)		(173)	—	—	(173)
Totals			$10,381	$990	$641	$12,012		$10,807	$909	$673	$12,389

(1) not applicable = n/a

		Six Months Ended March 31, 2015					Six Months Ended March 31, 2014				
		Effective Interest Rate (1)	Cash Interest	Amort. Debt Discount	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense	Effective Interest Rate (1)	Cash Interest	Amort. Debt Discount	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense
Senior notes due 2018	(a)	n/a	$—	$—	$—	$—	7.1 %	$15,930	$—	$667	$16,597
Senior notes due 2022	(a)	5.5 %	15,750	—	644	16,394	5.3	2,800	—	111	2,911
Revolver due 2020	(a)	n/a	997	—	291	1,288	n/a	473	—	278	751
Convert. debt due 2017	(b)	9.1 %	2,000	1,952	221	4,173	9.1 %	2,000	1,792	221	4,013
Real estate mortgages	(c)	3.9 %	240	—	72	312	4.0 %	252	—	73	325
ESOP Loans	(d)	2.9 %	514	—	35	549	3.2 %	332	—	7	339
Capital lease - real estate	(e)	5.3 %	208	—	12	220	5.3 %	233	—	14	247
Non U.S. lines of credit	(f)	n/a	250	—	—	250	n/a	417	—	—	417
Non U.S. term loans	(g)	n/a	725	—	30	755	n/a	153	—	4	157
Other long term debt	(h)	n/a	53	—	8	61	n/a	11	—	21	32
Capitalized interest			(236)	—	—	(236)		(266)	—	—	(266)
Totals			$20,501	$1,952	$1,313	$23,766		$22,335	$1,792	$1,396	$25,523

(a) On February 27, 2014, in an unregistered offering through a private placement under Rule 144A, Griffon issued, at par, $600,000 of 5.25% Senior Notes due 2022 (“Senior Notes”); interest is payable semi-annually on March 1 and September 1. Proceeds from the Senior Notes were used to redeem $550,000 of 7.125% senior notes due 2018, to pay a call and tender offer premium of $31,530 and to make interest payments of $16,716, with the balance used to pay a portion of the related transaction fees and expenses. In connection with the issuance of the Senior Notes, all obligations under the $550,000 of 7.125% senior notes due 2018 were discharged.

The Senior Notes are senior unsecured obligations of Griffon guaranteed by certain domestic subsidiaries, and subject to certain covenants, limitations and restrictions. On June 18, 2014, Griffon exchanged all of the Senior Notes for substantially identical Senior Notes registered under the Securities Act of 1933 via an exchange offer. The fair value of the Senior Notes approximated $594,000 on March 31, 2015 based upon quoted market prices (level 1 inputs).

In connection with these transactions, Griffon capitalized $10,313 of underwriting fees and other expenses incurred related to the issuance and exchange of the Senior Notes, which will amortize over the term of such notes. Griffon recognized a loss on the early extinguishment of debt on the 7.125% senior notes aggregating $38,890, comprised of the $31,530 tender offer premium, the write-off of $6,574 of remaining deferred financing fees and $786 of prepaid interest on defeased notes.

On March 13, 2015, Griffon amended its Revolving Credit Facility (the “Credit Agreement”) to increase the credit facility from $225,000 to $250,000, extend its maturity date from March 28, 2019 to March 13, 2020 and modify certain other provisions of the credit facility. The facility includes a letter of credit sub-facility with a limit of $50,000 (decreased from $60,000), and a multi-currency sub-facility of $50,000. The Credit Agreement provides for same day borrowings of base rate loans in lieu of a swing line sub-facility. Borrowings under the Credit Agreement may be repaid and re-borrowed at any time, subject to final maturity of the facility or the occurrence of a default or an event of default under the Credit Agreement. Interest is payable on borrowings at either a LIBOR or base rate benchmark rate, in each case without a floor, plus an applicable margin, which adjusts based on financial performance. Current margins are 1.00% (compared to 1.25% prior to the amendment) for base rate loans and 2.00% (compared to 2.25% prior to the amendment) for LIBOR loans. The Credit Agreement has certain financial maintenance tests including a maximum total leverage ratio, a maximum senior secured leverage ratio and a minimum interest coverage ratio, as well as customary affirmative and negative covenants and events of default. The negative covenants place limits on Griffon's ability to, among other things, incur indebtedness, incur liens and make restricted payments and investments. Borrowings under the Credit Agreement are guaranteed by Griffon’s material domestic subsidiaries and are secured, on a first priority basis, by substantially all domestic assets of the Company and the guarantors, and a pledge of not greater than 65% of the equity interest in each of Griffon’s material, first-tier foreign subsidiaries (except that a lien on the assets of Griffon's material domestic subsidiaries securing a limited amount of the debt under the credit agreement relating to Griffon's Employee Stock Ownership Plan ("ESOP") ranks pari passu with the lien granted on such assets under the Credit Agreement; see footnote (d) below). At March 31, 2015, outstanding borrowings and standby letters of credit were $95,000 and $20,560, respectively, under the Credit Agreement; $134,440 was available for borrowing at that date.

(b) On December 21, 2009, Griffon issued $100,000 principal of 4% convertible subordinated notes due 2017 (the “2017 Notes”). The current conversion rate of the 2017 Notes is 69.3811 shares of Griffon’s common stock per $1 principal amount of notes, corresponding to a conversion price of $14.41 per share. When a cash dividend is declared that would result in an adjustment to the conversion ratio of less than 1%, any adjustment to the conversion ratio is deferred until the first to occur of (i) actual conversion; (ii) the 42nd trading day prior to maturity of the notes; and (iii) such time as the cumulative adjustment equals or exceeds 1%. As of March 31, 2015, the above conversion price reflects dividends paid through March 26, 2015. At both March 31, 2015 and 2014, the 2017 Notes had a capital in excess of par component, net of tax, of $15,720. The fair value of the 2017 Notes approximated $129,813 on March 31, 2015 based upon quoted market prices (level 1 inputs).

(c) On October 21, 2013, Griffon refinanced two real estate mortgages to secure loans totaling $17,175. The loans mature in October 2018, are collateralized by the related properties and are guaranteed by Griffon. The loans bear interest at a rate of LIBOR plus 2.75%.

(d) In December 2013, Griffon’s ESOP entered into an agreement that refinanced the two existing ESOP loans into one new Term Loan in the amount of $21,098 (the "Agreement"). The Agreement also provided for a Line Note with $10,000 available to purchase

shares of Griffon common stock in the open market. In July 2014, Griffon's ESOP entered into an amendment to the existing Agreement which provided an additional $10,000 Line Note available to purchase shares in the open market. During 2014, the Line Notes were combined with the Term Loan to form one new Term Loan. The Term Loan bears interest at LIBOR plus 2.38% or the lender's prime rate, at Griffon's option. The Term Loan requires quarterly principal payments of $551, with a balloon payment of approximately $30,137 due at maturity on December 31, 2018. During 2014, 1,591,117 shares of Griffon common stock, for a total of $20,000 or $12.57 per share, were purchased with proceeds from the Line Notes. The Term Loan is secured by shares purchased with the proceeds of the loan and with a lien on a specific amount of Griffon assets (which lien ranks pari passu with the lien granted on such assets under the Credit Agreement) and is guaranteed by Griffon.

(e) In October 2006, CBP entered into a capital lease totaling $14,290 for real estate in Troy, Ohio. The lease matures in 2022, bears interest at a fixed rate of 5.0%, is secured by a mortgage on the real estate and is guaranteed by Griffon.

(f) In November 2010, Clopay Europe GmbH ("Clopay Europe") entered into a €10,000 revolving credit facility and a €20,000 term loan. The term loan was paid off in December 2013 and the revolver had no borrowings outstanding at March 31, 2015. The revolving facility matures in November 2015 and is renewable upon mutual agreement with the bank. The revolving credit facility accrues interest at EURIBOR plus 2.20% per annum (2.28% at March 31, 2015). Clopay Europe is required to maintain a certain minimum equity to assets ratio and keep leverage below a certain level, defined as the ratio of total debt to EBITDA.

Clopay do Brazil maintains lines of credit of $4,000. Interest on borrowings accrues at a rate of Brazilian CDI plus 6.0% (18.60% at March 31, 2015). At March 31, 2015 there was $2,200 borrowed under the lines. Clopay Plastic Products Company, Inc. guarantees the loan and lines.

In November 2012, Garant G.P. ("Garant") entered into a CAD $15,000 revolving credit facility. The facility accrues interest at LIBOR (USD) or the Bankers Acceptance Rate (CDN) plus 1.3% per annum (1.54% LIBOR USD and 2.45% Bankers Acceptance Rate CDN as of March 31, 2015). The revolving facility matures in November 2015. Garant is required to maintain a certain minimum equity. At March 31, 2015, there was $2,291 borrowed under the revolving credit facility with CAD $12,110 available.

(g) In December 2013 and May 2014, Northcote Holdings Pty Ltd entered into two unsecured term loans in the outstanding amounts of AUD $12,500 and AUD $20,000, respectively. The AUD $12,500 term loan requires quarterly interest payments with principal due upon maturity in December 2016. The AUD $20,000 term loan requires quarterly principal payments of AUD $625 beginning in August 2015, with a balloon payment due upon maturity in May 2017. The loans accrue interest at Bank Bill Swap Bid Rate "BBSY" plus 2.8% per annum (5.2% at March 31, 2015 for each loan). As of March 31, 2015, Northcote had an outstanding combined balance of $25,079 on the term loans, net of deferred costs.

Subsidiaries of Northcote Holdings Pty Ltd also maintain two lines of credit of AUD $3,000 and AUD $5,000 which accrue interest at BBSY plus 2.25% per annum (4.61% at March 31, 2015) and 2.50% per annum (4.86% at March 31, 2015), respectively. At March 31, 2015, there were no outstanding borrowings under the lines. Griffon guarantees the term loans and the AUD $3,000 line of credit; the assets of a subsidiary of Northcote Holdings Pty Ltd secures the AUD $5,000 line of credit.

(h) Other long-term debt primarily consists of capital leases.

At March 31, 2015, Griffon and its subsidiaries were in compliance with the terms and covenants of all credit and loan agreements.

NOTE 9 — SHAREHOLDERS' EQUITY

During 2015, the Company paid a quarterly cash dividend of $0.04 per share in each quarter, totaling $0.08 per share for the six months ended March 31, 2015. During 2014, the Company paid quarterly cash dividends of $0.03 per share, totaling $0.12 per share for the year. Dividends paid on allocated shares in the ESOP were used to pay down the ESOP loan and recorded as a reduction in expense. A dividend payable was established for the holders of restricted shares; such dividends will be released upon vesting of the underlying restricted shares.

On April 30, 2015, the Board of Directors declared a quarterly cash dividend of $0.04 per share, payable on June 25, 2015 to shareholders of record as of the close of business on May 22, 2015.

Compensation expense for restricted stock is recognized ratably over the required service period based on the fair value of the grant, calculated as the number of shares granted multiplied by the stock price on the date of grant and, for performance shares, the likelihood of achieving the performance criteria. Compensation cost related to stock-based awards with graded vesting, generally over a period of three to four years, is recognized using the straight-line attribution method and recorded within SG&A expenses.

In February 2011, shareholders approved the Griffon Corporation 2011 Equity Incentive Plan ("Incentive Plan") under which awards of performance shares, performance units, stock options, stock appreciation rights, restricted shares, deferred shares and other stock-based awards may be granted. On January 30, 2014, shareholders approved an amendment and restatement of the Incentive Plan, which, among other things, added 1,200,000 shares to the Incentive Plan. Options granted under the Incentive Plan may be either “incentive stock options” or nonqualified stock options, generally expire ten years after the date of grant and are granted at an exercise price of not less than 100% of the fair market value at the date of grant. The maximum number of shares of common stock available for award under the Incentive Plan is 4,200,000 (600,000 of which may be issued as incentive stock options), plus any shares underlying awards outstanding on the effective date of the Incentive Plan under the 2006 Incentive Plan that are subsequently canceled or forfeited. As of March 31, 2015, 422,877 shares were available for grant.

All grants outstanding under the Griffon Corporation 2001 Stock Option Plan, 2006 Equity Incentive Plan and Outside Director Stock Award Plan will continue under their terms; no additional awards will be granted under such plans.

During the first quarter of 2015, Griffon granted 462,032 restricted stock awards with vesting periods of three years, 458,016 of which are also subject to certain performance conditions, with a total fair value of $5,775, or a weighted average fair value of $12.50 per share. During the second quarter of 2015, Griffon granted 201,399 restricted stock awards with vesting periods of three years, 146,699 of which are also subject to certain performance conditions, with a total fair value of $2,805, or a weighted average fair value of $13.93 per share.

For the quarters ended March 31, 2015 and 2014, stock based compensation expense totaled $2,795 and $3,321, respectively. For the six months ended March 31, 2015 and 2014, stock based compensation expense totaled $5,372 and $4,996, respectively.

During the quarter and six months ended March 31, 2015, 14,626 shares, with a market value of $195 or $13.30 per share, and 76,025 shares, with a market value of $1,080 or $14.21 per share, respectively, were withheld to settle employee taxes due to the vesting of restricted stock, and were added to treasury.

In May 2014, Griffon’s Board of Directors authorized the repurchase of up to $50,000 of Griffon’s outstanding common stock; on March 20, 2015, an additional $50,000 was authorized. Under both programs, the Company may purchase shares in the open market, including pursuant to a 10b5-1 plan, or in privately negotiated transactions. During the quarter ended March 31, 2015, Griffon purchased 1,581,200 shares of common stock under the May 2014 program, for a total of $24,212 or $15.31 per share. During the six months ended March 31, 2015, Griffon purchased 2,606,241 shares of common stock under the May 2014 program, for a total of $36,498 or $14.00 per share. As of March 31, 2015, $52,362 remains under existing Board authorizations.

From August 2011 to March 31, 2015, Griffon repurchased 9,601,103 shares of common stock, for a total of $108,695 or $11.32 per share, under Board authorized repurchase programs.

In addition to repurchases under Board authorized programs, on December 10, 2013, Griffon repurchased 4,444,444 shares of its common stock for $50,000 from GS Direct, L.L.C. (“GS Direct”), an affiliate of The Goldman Sachs Group, Inc. The repurchase was effected in a private transaction at a per share price of $11.25, an approximate 9.2% discount to the stock’s closing price on November 12, 2013, the day before announcement of the transaction. After closing the transaction, GS Direct continued to hold approximately 5.56 million shares (approximately 10% of the

shares outstanding at such time) of Griffon's common stock. Subject to certain exceptions, if GS Direct intends to sell its remaining shares of Griffon common stock at any time prior to December 31, 2015, it will first negotiate in good faith to sell such shares to the Company.

NOTE 10 – EARNINGS PER SHARE (EPS)

Basic EPS (and diluted EPS in periods when a loss exists) was calculated by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS was calculated by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding plus additional common shares that could be issued in connection with stock based compensation and upon the settlement of the 2017 Convertible notes. In the six months ended March 31, 2015 and in the prior year periods, the 2017 Notes were anti-dilutive due to the conversion price being greater than the weighted-average stock price during the periods presented.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Weighted average shares outstanding - basic	45,349	48,990	45,829	50,872
Incremental shares from stock based compensation	1,874	—	1,853	—
Convertible debt due 2017	446	—	—	—
Weighted average shares outstanding - diluted	47,669	48,990	47,682	50,872
Anti-dilutive options excluded from diluted EPS computation	567	644	580	644

Griffon has the intent and ability to settle the principal amount of the 2017 Notes in cash, and as such, the potential issuance of shares related to the principal amount of the 2017 Notes does not affect diluted shares.

NOTE 11 – BUSINESS SEGMENTS

Griffon's reportable segments are as follows:

- HBP is a leading manufacturer and marketer of residential, commercial and industrial garage doors to professional installing dealers and major home center retail chains, as well as a global provider of non-powered landscaping products that make work easier for homeowners and professionals.
- Telephonics develops, designs and manufactures high-technology integrated information, communication and sensor system solutions to military and commercial markets worldwide.
- Plastics is an international leader in the development and production of embossed, laminated and printed specialty plastic films used in a variety of hygienic, health-care and industrial applications.

Information on Griffon's reportable segments is as follows:

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
REVENUE	2015	2014	2015	2014
Home & Building Products:				
AMES	$159,092	$160,705	$292,202	$257,313
CBP	104,513	90,838	243,113	212,680
Home & Building Products	263,605	251,543	535,315	469,993
Telephonics	98,687	104,185	189,345	200,210
Plastics	137,728	151,959	277,520	290,942
Total consolidated net sales	$500,020	$507,687	$1,002,180	$961,145

The following table reconciles segment operating profit to income before taxes:

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
INCOME (LOSS) BEFORE TAXES	2015	2014	2015	2014
Segment operating profit:				
Home & Building Products	$8,651	$8,818	$25,020	$18,211
Telephonics	9,114	10,677	16,631	21,329
Plastics	9,867	9,352	17,887	15,177
Total segment operating profit	27,632	28,847	59,538	54,717
Net interest expense	(11,857)	(12,361)	(23,494)	(25,462)
Unallocated amounts	(7,580)	(8,391)	(15,844)	(16,374)
Loss from debt extinguishment, net	—	(38,890)	—	(38,890)
Income before taxes	$8,195	$(30,795)	$20,200	$(26,009)

Griffon evaluates performance and allocates resources based on each segment's operating results before interest income and expense, income taxes, depreciation and amortization, unallocated amounts (mainly corporate overhead), restructuring charges, acquisition-related expenses, as applicable ("Segment adjusted EBITDA"). Griffon believes this information is useful to investors for the same reason.

The following table provides a reconciliation of Segment adjusted EBITDA to Income (loss) before taxes:

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2015	2014	2015	2014
Segment adjusted EBITDA:				
Home & Building Products	$17,330	$17,124	$41,800	$36,191
Telephonics	11,616	12,535	21,648	24,931
Plastics	15,764	16,216	30,315	28,959
Total Segment adjusted EBITDA	44,710	45,875	93,763	90,081
Net interest expense	(11,857)	(12,361)	(23,494)	(25,462)
Segment depreciation and amortization	(17,078)	(16,336)	(34,225)	(33,032)
Unallocated amounts	(7,580)	(8,391)	(15,844)	(16,374)
Loss from debt extinguishment, net	—	(38,890)	—	(38,890)
Restructuring charges	—	(692)	—	(1,534)
Acquisition costs	—	—	—	(798)
Income (loss) before taxes	$8,195	$(30,795)	$20,200	$(26,009)

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

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
DEPRECIATION and AMORTIZATION	2015	2014	2015	2014
Segment:				
Home & Building Products	$8,679	$7,614	$16,780	$15,648
Telephonics	2,502	1,858	5,017	3,602
Plastics	5,897	6,864	12,428	13,782
Total segment depreciation and amortization	17,078	16,336	34,225	33,032
Corporate	115	103	228	200
Total consolidated depreciation and amortization	$17,193	$16,439	$34,453	$33,232
CAPITAL EXPENDITURES				
Segment:				
Home & Building Products	$11,114	$6,722	$21,375	$15,190
Telephonics	1,339	5,520	2,308	8,887
Plastics	7,486	4,390	15,165	10,150
Total segment	19,939	16,632	38,848	34,227
Corporate	853	297	865	618
Total consolidated capital expenditures	$20,792	$16,929	$39,713	$34,845

ASSETS	At March 31, 2015	At September 30, 2014
Segment assets:		
Home & Building Products	$1,091,443	$1,030,005
Telephonics	291,535	319,327
Plastics	354,150	389,464
Total segment assets	1,737,128	1,738,796
Corporate	6,241	64,015
Total continuing assets	1,743,369	1,802,811
Assets of discontinued operations	3,884	3,750
Consolidated total	$1,747,253	$1,806,561

NOTE 12 – DEFINED BENEFIT PENSION EXPENSE

Defined benefit pension expense (income) was as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Service cost	$—	$45	$—	$90
Interest cost	2,207	2,500	4,414	5,000
Expected return on plan assets	(2,932)	(2,885)	(5,864)	(5,770)
Amortization:				
Prior service cost	4	4	8	8
Recognized actuarial loss	541	489	1,082	978
Net periodic expense (income)	$(180)	$153	$(360)	$306

NOTE 13 – RECENT ACCOUNTING PRONOUNCEMENTS

In July 2013, the FASB issued new accounting guidance requiring an unrecognized tax benefit to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss or tax credit carryforward, except for instances when the carryforward is not available to settle any additional income taxes and an entity does not intend to use the deferred tax benefit for these purposes. In these circumstances, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This standard was effective for fiscal years beginning after December 15, 2013, and accordingly, the Company adopted this guidance effective October 1, 2014. Adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

In April 2014, the FASB issued guidance changing the requirements for reporting discontinued operations where a disposal of a component of an entity or group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when either classified as held for sale, or disposed of by sale or otherwise disposed. The amendment also requires enhanced disclosures about the discontinued operation and disclosure information for other significant dispositions. This guidance is effective for the Company beginning in 2015. The Company's adoption of this standard did not have an impact on its consolidated financial statements.

In May 2014, the FASB issued guidance on revenue from contracts with customers. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved, in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This guidance permits the use of either the retrospective or cumulative effect transition method and is effective for the Company beginning in 2017; early adoption is not permitted. We have not yet selected a transition method and are currently evaluating the impact of the guidance on the Company's financial condition, results of operations and related disclosures.

In August 2014, the FASB issued guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and related footnote disclosures. Management will be required to evaluate, at each reporting period, whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. This guidance is effective prospectively for annual and interim reporting periods beginning in 2017; implementation of this guidance is not expected to have a material effect on the Company’s financial condition or results of operations.

In April 2015, the FASB issued guidance on simplifying the presentation of debt issuance costs. This guidance requires debt issuance costs on the balance sheet to be presented as a direct deduction from the carrying amount of a related debt liability, similar to debt discounts. The Company early adopted this guidance and applied it retrospectively for all periods presented in the financial statements. Adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements, and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

NOTE 14 – DISCONTINUED OPERATIONS

The following amounts related to the Installation Services segment, discontinued in 2008, and other businesses discontinued several years ago, which have been segregated from Griffon's continuing operations, and are reported as assets and liabilities of discontinued operations in the condensed consolidated balance sheets:

	At March 31, 2015	At September 30, 2014
Assets of discontinued operations:		
Prepaid and other current assets	$1,638	$1,624
Other long-term assets	2,246	2,126
Total assets of discontinued operations	$3,884	$3,750
Liabilities of discontinued operations:		
Accrued liabilities, current	$2,528	$3,282
Other long-term liabilities	3,524	3,830
Total liabilities of discontinued operations	$6,052	$7,112

There was no Installation Services revenue or income for the six months ended March 31, 2015 or 2014.

NOTE 15 – RESTRUCTURING AND OTHER RELATED CHARGES

In September 2014, Telephonics recognized $4,244 in restructuring costs in connection with the closure of its Swedish facility and restructuring of operations, a voluntary early retirement plan and a reduction in force aimed at improving efficiency by combining functions and responsibilities, resulting in the elimination of 80 positions.

In January 2013, AMES undertook to close certain of its U.S. manufacturing facilities and consolidate affected operations primarily into its Camp Hill and Carlisle, PA locations. These actions, completed at the end of the 2015 first quarter, improved manufacturing and distribution efficiencies, allow for in-sourcing of certain production previously performed by third party suppliers, and improved material flow and absorption of fixed costs. AMES incurred pre-tax restructuring and related exit costs approximating $7,941, comprised of cash charges of $4,016 and non-cash, asset-related charges of $3,925; the cash charges included $2,622 for one-time termination benefits and other personnel-related costs and $1,394 for facility exit costs and had $19,964 of capital expenditures.

HBP recognized $692 and $1,534 in restructuring and other related exit costs in the quarter and six months ended March 31, 2014, respectively; such charges primarily related to one-time termination benefits, facility and other personnel costs, and asset impairment charges related to the AMES plant consolidation initiatives. There were no restructuring charges in the current year.

A summary of the restructuring and other related charges included in the line item "Restructuring and other related charges" in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) were recognized as follows:

	Workforce Reduction	Facilities & Exit Costs	Other Related Costs	Non-cash Facility and Other	Total
Amounts incurred in:					
Quarter ended December 31, 2013	$638	$95	$109	$—	$842
Quarter ended March 31, 2014	495	137	60	—	692
Six Months Ended March 31, 2014	$1,133	$232	$169	$—	$1,534