Griffon
CORPORATION

Annual Report 2016

Letter to Shareholders

2016 was another successful year for Griffon Corporation. We finished 2016 with record Segment adjusted EBITDA of $218.4 million[1], a 7% increase over the prior year. Earnings per common share was $0.68, compared to $0.73 in the prior year which does not tell the real story. Excluding certain restructuring costs and tax items, our adjusted EPS improved 15% over 2015 to $0.84[2], outpacing our EBITDA growth.

We continued to return cash to shareholders through quarterly dividends and share repurchases. This performance reflects both the earnings power of our businesses and the collective hard work of our global workforce. Importantly, these results were achieved despite slightly lower revenue of $1.96 billion, as we continued to improve operational efficiencies and profit margins. We believe that future growth in U.S. infrastructure, housing and defense spending will be very beneficial to our businesses.

BALANCED CAPITAL ALLOCATION TO BUILD SHAREHOLDER VALUE

We are committed to building long-term shareholder value through investment in future growth and return of cash to shareholders. In 2016 we made several strategic investments to maximize organic opportunities, including a $30 million upgrade to our Clopay Building Products ("CBP") facility in Troy, Ohio, designed to build upon the market success of our premium door products. CBP has driven consistent growth to our Home and Building Products ("HBP") segment.

Our second major capital project launched in 2016 was a $50 million investment in Sof-Flex®, our next generation breathable film, for our Clopay Plastic Products ("Plastics") business. We expect the launch of this product to benefit our operating results in 2017 and beyond, and to enhance our industry leading position in printed breathable films and laminates.

We also remain focused on cash flow generation. In 2016, operating cash flow improved 39% to $106 million. We expect continued increases in free cash flow as a result of improved operating performance and completion of the Sof-flex® investment in Plastics, at which time capital expenditures should return to a normalized level.

In 2016 we repurchased 3.55 million shares of common stock for a total of $56.3 million. Since the commencement of share repurchases in August 2011, we have repurchased a total of 20.3 million shares for $259.4 million. We continued to expand our dividend program in 2016 and paid $0.20 per share in dividends, marking an increase of 25% from the prior year. In November of 2016, we announced another 20% increase in our quarterly dividend to $0.06 per share.

[1] For a reconciliation of Segment adjusted EBITDA to Income (loss) before taxes, see "Note 18–Reportable Segments" to our Consolidated Financial Statements, included on page 98 of this Annual Report.

[2] For a reconciliation of adjusted earnings per share to Earnings per common share, see Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended September 30, 2016, included on page 38 of this Annual Report.

HOME AND BUILDING PRODUCTS

Our HBP segment, which consists of The AMES Companies, Inc. ("AMES") and CBP, continues to benefit from operational efficiency improvements, cost control measures at AMES and increased volume and favorable mix at CBP. 2016 revenue of $1.04 billion was consistent with 2015, while segment adjusted EBITDA increased 22% from the prior year to $114.9 million.

Our AMES business, which is the leading U.S. manufacturer and a global provider of long-handled tools and landscaping products, performed well despite a warm winter and colder than average spring in North America. This unseasonable weather led to a full year revenue decrease of 4%, while profitability improved from the prior fiscal year as a result of sustained improvement in operational efficiencies and continued expansion of our industry leading position in Australia, as well as improved sales of pots and planters in the U. S. Process improvements undertaken from 2013-2015 facilitated improvement in operational performance and efficiencies, and have opened internal manufacturing capacity with a continued positive effect on balancing in-house manufacturing and global sourcing. Our Razor-Back®, True Temper® and Garant® brands have continued to perform well as they expand into adjacent market categories.

It has been an ambitious year at CBP, America's Favorite Doors®, as we successfully completed our facility expansion in Troy, Ohio. This expansion was executed using a phased approach that enabled the delivery of incremental efficiency and capacity gains throughout the year, supporting our commitment to exceptional quality and customer service. This project allows for long-term growth and continued industry leading support for our customers.

CBP also continues to invest in new products, introducing several modern and contemporary door designs in 2016, leveraging our successful Intellicore® insulation technology. Many of our garage door lines share complementary design cues with our line of Clopay® entry doors, enhancing the overall design aesthetic of the home. We promote our door solutions through our unified brand strategy, targeting consumers through a multi-faceted media campaign, including social media, print, digital, television and radio. Our Clopay Imagine® media campaign can be seen on the HGTV and DIY Networks, and in publications such as Good Housekeeping, This Old House and Family Handy Man. This industry leading media presence promotes our brand and generates leads for our dealers and retailers, ensuring our mutual success.

HBP, with its industry leading products, brands and customers, is well positioned for continued growth as the U.S. housing market and overall economic recoveries progress.

TELEPHONICS

Telephonics continues to achieve success in a challenging U.S. defense budgetary environment.

Revenue in 2016 was $436 million, increasing 1% compared to the prior year driven by increased mobile ground surveillance systems and dismounted electronic countermeasure systems. Segment adjusted EBITDA for 2016 was $53.4 million, consistent with the prior year. Contract backlog totaled $420 million at September 30, 2016, compared to $442 million at September 30, 2015, with approximately 71% expected to be fulfilled within the next twelve months. The decrease in backlog reflects the timing of various international contracts associated with radar and surveillance opportunities, as international awards often take longer to develop.

Our airborne inter-communications system (ICS) programs contributed to revenue with a large number of ongoing production and development programs. The selection of the Telephonics Netcom V, ground vehicle ICS, by Oshkosh for the Joint Light Tactical Vehicle (JLTV) program, has reinforced the Telephonics ICS brand as a leader in innovation and affordability and should further Telephonics' efforts to expand its ground vehicle ICS products to international markets. The delivery of additional mobile surveillance capability (MSC) systems to U.S. Customs and Border Protection reflects the quality and value of these systems and the growing demand for protecting U.S. borders. The MH-60R program continued its strong performance, receiving awards for upgrade kits to convert AN/APS-147 MMR into AN/APS-153(V) 1 MMR and our first FMS contract for a customer in the Middle East.

Telephonics continues to invest in technology and innovation. During 2016, we received our first orders for our new passive detection and recording system (PDRS) and for our small form factor (SFF) IFF interrogator. We also made significant advancements in the development of our active electronic scan array technology (AESA), and are excited about our initial performance results and how future Telephonics radar products may benefit from this improved technology.

We continue to see world events and U.S. foreign policy shaping the increased global demand for products designed and produced by Telephonics for intelligence, surveillance and communications solutions.

PLASTICS

Clopay Plastics delivered solid financial results despite challenging macroeconomic conditions in Latin America and Europe. We maintained Segment adjusted EBITDA margins in excess of 10% through disciplined cost controls, despite sales decreasing 10% due to unfavorable volume and mix and the unfavorable impact of foreign currency translation. We improved our product mix by enhancing our industry leadership position in valued-added printed films and elastic laminates while rationalizing certain underperforming products, and successfully executing a restructuring in Europe. We continue to reduce our working capital and enhance our competitive position by lowering our cost structure through improved efficiency and supply chain initiatives.

During 2016 we announced plans to invest $50 million to expand our global printed breathable film capacity. This investment will increase our extrusion and print capacity and fund our continued commitment to innovation and technology. Our next generation Sof-flex® line of low basis weight, breathable films is being designed to meet demand for softer, lighter weight, breathable films and laminates, and we look forward to partnering with our customers to support the successful roll out of Sof-flex® products.

FURTHER GROWTH IN THE YEAR AHEAD

As we enter 2017, we are poised to continue unlocking the earnings potential of our businesses, supported by further improvement in the housing market, a strong backlog along with research and development initiatives in Telephonics and the introduction of Sof-Flex® plastic products. We are confident in our ability to drive shareholder value by utilizing our balance sheet strength and cash flow to invest in organic growth initiatives and acquisition opportunities, and to support the payment of quarterly dividends. The prospect of a stronger U.S. economy will accelerate our future growth.

We thank our shareholders for their interest and support, and our 6,000 employees around the globe for their dedication and hard work.

We have accomplished a great deal over the past few years. Here's to an even better tomorrow.

Yours sincerely,

Ronald J. Kramer
Chief Executive Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the year ended September 30, 2016
OR

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

Commission File No. 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 Avenue, 18th Floor, New York, New York	**10019**
(Address of Principal Executive Offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.25 par value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 during the preceding 12 months (or for such period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 ☐	Accelerated filer ☒	Non-accelerated filer ☐ *(Do not check if a smaller reporting company)*	Smaller reporting company ☐

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of the close of business March 31, 2016, the registrant's most recently completed second quarter, was approximately $544,000,000. The registrant's closing price as reported by the New York Stock Exchange-Composite Transactions for March 31, 2016 was $15.45. The number of the registrant's outstanding shares was 45,040,758 as of October 31, 2016.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III—(Items 10, 11, 12, 13 and 14). Registrant's definitive proxy statement to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934.

Special Notes Regarding Forward-Looking Statements

This Annual Report on Form 10-K, especially "Management's Discussion and Analysis", contains certain "forward-looking statements" within the meaning of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such statements relate to, among other things, income (loss), earnings, cash flows, revenue, changes in operations, operating improvements, industries in which Griffon Corporation (the "Company" or "Griffon") operates and the United States and global economies. Statements in this Form 10-K that are not historical are hereby identified as "forward-looking statements" and may be indicated by words or phrases such as "anticipates," "supports," "plans," "projects," "expects," "believes," "should," "would," "could," "hope," "forecast," "management is of the opinion," "may," "will," "estimates," "intends," "explores," "opportunities," the negative of these expressions, use of the future tense and similar words or phrases. Such forward-looking statements are subject to inherent risks and uncertainties that could cause actual results to differ materially from those expressed in any forward-looking statements. These risks and uncertainties include, among others: current economic conditions and uncertainties in the housing, credit and capital markets; Griffon's ability to achieve expected savings from cost control, integration and disposal initiatives; the ability to identify and successfully consummate and integrate value-adding acquisition opportunities; increasing competition and pricing pressures in the markets served by Griffon's operating companies; the ability of Griffon's operating companies to expand into new geographic and product markets, and to anticipate and meet customer demands for new products and product enhancements and innovations; reduced military spending by the government on projects for which Griffon's Telephonics Corporation supplies products, including as a result of defense budget cuts or other government actions; the ability of the federal government to fund and conduct its operations; increases in the cost of raw materials such as resin, wood and steel; changes in customer demand or loss of a material customer at one of Griffon's operating companies; the potential impact of seasonal variations and uncertain weather patterns on certain of Griffon's businesses; political events that could impact the worldwide economy; a downgrade in Griffon's credit ratings; changes in international economic conditions including interest rate and currency exchange fluctuations; the reliance by certain of Griffon's businesses on particular third party suppliers and manufacturers to meet customer demands; the relative mix of products and services offered by Griffon's businesses, which impacts margins and operating efficiencies; short-term capacity constraints or prolonged excess capacity; unforeseen developments in contingencies, such as litigation and environmental matters; unfavorable results of government agency contract audits of Telephonics Corporation; Griffon's ability to adequately protect and maintain the validity of patent and other intellectual property rights; the cyclical nature of the businesses of certain of Griffon's operating companies; and possible terrorist threats and actions and their impact on the global economy. Readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements speak only as of the date made. Griffon undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

(Unless otherwise indicated, any reference to years or year-end refers to the fiscal year ending September 30 and US dollars and non-US currencies are in thousands, except per share data)

PART I

Item 1. *Business*

The Company

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. In order to further diversify, Griffon also seeks out, evaluates and, when appropriate, will acquire additional businesses that offer potentially attractive returns on capital.

Headquartered in New York, N.Y., the Company was founded in 1959 and is incorporated in Delaware. Griffon is listed on the New York Stock Exchange and trades under the symbol GFF.

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"). HBP revenue accounted for 53% of Griffon's consolidated revenue in 2016 and 2015 and 49% in 2014:
  - AMES, founded in 1774, is the leading U.S. manufacturer and a global provider of long-handled tools and landscaping products for homeowners and professionals. AMES' revenue was 26% of Griffon's consolidated revenue in 2016, 27% in 2015 and 25% in 2014.
  - CBP, in business since 1964, is a leading manufacturer and marketer of residential and commercial garage doors and sells to professional dealers and some of the largest home center retail chains in North America. CBP's revenue was 27%, 26% and 24% of Griffon's consolidated revenue in 2016, 2015 and 2014, respectively.
- Telephonics Corporation ("Telephonics"), founded in 1933, is recognized globally as a leading provider of highly sophisticated intelligence, surveillance and communications solutions for defense, aerospace and commercial customers. Telephonics' revenue was 22% of Griffon's consolidated revenue in 2016 and 21% in both 2015 and 2014.
- Clopay Plastic Products Company, Inc. ("PPC"), incorporated in 1934, is a global leader in the development and production of embossed, laminated and printed specialty plastic films for hygienic, health-care and industrial products and sells to some of the world's largest consumer products companies. PPC revenue was 25%, 26% and 30% of Griffon's consolidated revenue in 2016, 2015 and 2014, respectively.

We are focused on acquiring, owning and operating businesses in a variety of industries. We are long-term investors that have substantial experience in a variety of industries. Our intent is to continue the growth of our existing segments and diversify further through investments and acquisitions.

As a result of the decline in the U.S. housing market, in May 2008, we announced the divestiture of our Installation Services business, which was consummated by September 2008. In September 2008, Griffon strengthened its balance sheet by raising $248,600 in equity through a common stock rights offering and a related investment by GS Direct L.L.C., an affiliate of The Goldman Sachs Group, Inc. Since that time, Griffon has continued to refine and enhance the strategic direction and operating performance of its companies, while strengthening its balance sheet. During this period, Griffon has grown revenue and earnings through organic growth, cost containment and acquisitions, while returning capital to its shareholders through dividends and stock buybacks.

On September 30, 2010, Griffon purchased AMES for $542,000 in cash. Subsequently, Griffon acquired three businesses complementary to AMES: the pots and planters business of Southern Sales & Marketing ("Southern Patio"), Northcote Pottery ("Northcote") and the Australian Garden and Tools division of Illinois Tool Works, Inc. ("Cyclone").

On October 17, 2011, AMES acquired Southern Patio for approximately $23,000. Southern Patio, is a leading designer, manufacturer and marketer of landscape accessories.

In January 2013, AMES announced its intention to close certain U.S. manufacturing facilities and consolidate affected operations primarily into its Camp Hill and Carlisle, PA locations. These actions, which were completed at the end of the first quarter of 2015, improved manufacturing and distribution efficiencies, allowed for in-sourcing of certain production previously performed by third party suppliers, and improved material flow and absorption of fixed costs. Management continues to estimate that AMES' initiative resulted in annualized cash savings exceeding $10,000. Realization of savings began in the 2015 second quarter.

On December 31, 2013, AMES acquired Northcote, founded in 1897 and a leading brand in the Australian outdoor planter and decor market, for approximately $22,000.

On May 21, 2014, AMES acquired Cyclone for approximately $40,000. Cyclone 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. The Northcote and Cyclone acquisitions complement Southern Patio and add to AMES' existing lawn and garden operations in Australia.

From August 2011 through September 30, 2016, Griffon repurchased 20,300,298 shares of its common stock, for a total of $259,420 or $12.78 per share. This includes the repurchase of 15,855,854 shares on the open market, as well as the December 10, 2013 repurchase of 4,444,444 shares from GS Direct for $50,000. In each of August 2011, May 2014, March 2015, July 2015, and August 2016, Griffon's Board of Directors authorized the repurchase of up to $50,000 of Griffon's outstanding common stock. Under these authorizations, the Company may purchase shares in the open market, including pursuant to a 10b5-1 plan, or in privately negotiated transactions. At September 30, 2016, $51,637 remains under Board repurchase authorizations.

From October 2008 through September 30, 2016, Griffon's Employee Stock Ownership Plan ("ESOP") purchased 4,013,459 shares of Griffon's common stock, for a total of $44,973 or $11.21 per share. At September 30, 2016, the ESOP holds allocated and unallocated shares totaling 5,380,595, or 12% of Griffon's outstanding shares, with a related loan balance of $34,150, net of issuance costs. Subsequent to September 30, 2016 and through November 11, 2016, Griffon's ESOP purchased 548,912 shares of common stock for a total of $9,213 or $16.78 per share. The remaining amount available on the authorization is $1,695.

On November 17, 2011, the Company began declaring quarterly dividends. During 2016, 2015 and 2014, the Company declared and paid dividends per share of $0.20, $0.16 and $0.12, respectively, for a total of $22,725 dividends paid during the period.

On November 16, 2016, the Board of Directors declared a cash dividend of $0.06 per share, payable on December 22, 2016 to shareholders of record as of the close of business on December 5, 2016.

During 2014, Griffon issued $600,000 of 5.25% Senior Notes due 2022, the proceeds of which were used to redeem $550,000 of 7.125% senior notes due 2018. On May 18, 2016, the Company completed an add-on offering of $125,000 principal amount of 5.25% Senior Notes due 2022; as of that date, outstanding Senior Notes due 2022 totaled $725,000.

In January 2016, Griffon launched its new website, *www.griffon.com*.

On March 22, 2016, Griffon amended its Revolving Credit Facility to increase borrowing availability from $250,000 to $350,000, extend its maturity date from March 13, 2020 to March 22, 2021 and modify certain other provisions of the facility.

Griffon also has outstanding $100,000 principal amount of 4% Convertible Subordinated Notes due 2017, with a current conversion rate of 70.1632 shares of Griffon's common stock per $1 principal amount of notes, which corresponds to a conversion price of $14.25 per share. On July 14, 2016, Griffon announced that it will settle, upon conversion, up to $125,000 of the conversion value in cash, with amounts in excess of $125,000, if any, to be settled in shares of Griffon common stock.

On October 15, 2015, CBP announced plans to expand its manufacturing facility in Troy, Ohio. The expansion reflects increased customer demand for its core products, and its success in bringing new technologies to market. The project includes improvements to its existing one million square foot building, as well as adding 200,000 square feet and new manufacturing equipment. The project is substantially complete.

During April 2016, PPC announced a Sof-flex® breathable film investment which will expand breathable film capacity in North America, Europe and Brazil, increase our extrusion and print capacity, and enhance our innovation and technology capabilities. We expect the project to be completed in fiscal 2018. This investment will allow PPC to maintain and extend its technological advantage and allow us to differentiate ourselves from competitors, while meeting increasing customer demand for lighter, softer, more cost effective and more environmentally friendly products.

Griffon makes available, free of charge through its website at *www.griffon.com*, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as soon as reasonably practicable after such materials are filed with or furnished to the Securities and Exchange Commission (the "SEC").

For information regarding revenue, profit and total assets of each segment, see the Reportable Segments footnote in the Notes to Consolidated Financial Statements.

Reportable Segments:

Home & Building Products

Home & Building Products consists of two companies, AMES and CBP, described below.

AMES

AMES, founded in 1774, is the leading United States ("U.S.") manufacturer and a global provider of long-handled tools and landscaping products that make work easier for homeowners and professionals. AMES employs approximately 1,700 employees.

Brands

AMES' brands are among the most recognized across primary product categories in the North American and Australian long-handled tools and landscaping product markets. Our brand portfolio includes AMES®, True Temper®, Garant®, UnionTools®, Hound Dog®, Westmix™, Cyclone®, Southern Patio®, Northcote Pottery™, Nylex®, Kelso™, Darby™ and Dynamic Design™, as well as contractor-oriented brands including Razor-Back® Professional Tools and Jackson® Professional Tools. This strong portfolio of brands enables AMES to build and maintain long-standing relationships with leading retailers and distributors. In addition, given the breadth of its brand portfolio and product category depth, AMES is able to offer specific, differentiated branding strategies for key retail customers. These strategies have focused on enhancement of brand value, with the goal of de-commoditizing AMES products through the introduction of identity and functionality elements that will make each top brand unique, attractive and visually recognizable by the consumer. The visual brand transformation of the AMES® and Razor-Back® brands were completed in 2015 and the True Temper® line roll-out was completed in 2016. In addition to the brands listed, AMES also sells private label branded products further enabling channel management and customer differentiation.

Products

AMES manufactures and markets a broad portfolio of long-handled tools and landscaping products. This portfolio is anchored by four core product categories: long handle tools, wheelbarrows, snow tools, and decorative plastic and ceramic pots and planters. As a result of brand portfolio recognition, high product quality, industry leading service and strong customer relationships, AMES has earned market-leading positions in its four core product categories. The following is a brief description of AMES' primary product lines:

- *Long Handled Tools:* An extensive line of engineered tools including shovels, spades, scoops, rakes, hoes, cultivators, weeders, post hole diggers, scrapers, edgers and forks, marketed under leading brand names including AMES®, True Temper®, UnionTools®, Garant®, Cyclone® and Kelso™, as well as contractor-oriented brands including Razor-Back® and Jackson®.

- *Wheelbarrows:* AMES designs, develops and manufactures a full line of wheelbarrows and lawn carts, primarily under the AMES®, True Temper®, Jackson® Professional Tools, UnionTools®, Garant® and Westmix™ brand names. The products range in size, material (poly and steel), tray form, tire type, handle length and color based on the needs of homeowners, landscapers and contractors.

- *Snow Tools:* A complete line of snow tools is marketed under the True Temper®, Garant® and Union Tools® brand names. The snow tool line includes shovels, pushers, roof rakes, sled sleigh shovels, scoops and ice scrapers.

- *Planters and Lawn Accessories:* AMES is a designer, manufacturer and distributor of indoor and outdoor planters and accessories, sold under the Southern Patio®, Northcote Pottery™ and Dynamic Design™ brand names, as well as various private label brands. The range of planter sizes (from 6 to 32 inches) is available in various designs, colors and materials. On October 17, 2011, Griffon acquired the Southern Patio® pots and planters business. Southern Patio® is a leading designer and marketer of decorative landscape products. Southern Patio and Dynamic Design have been integrated to leverage Southern Patio's capabilities, enhance AMES' product offering in the U.S. pots and planters category and enable AMES to improve its innovation and speed to market in this category.

- *Striking Tools:* Axes, picks, mattocks, mauls, wood splitters, sledgehammers, pry bars and repair handles make up the striking tools product line. These products are marketed under the True Temper®, Cyclone®, Garant®, Jackson® Professional Tools and Razor-Back® Professional Tools brand names.
- *Hand Tools:* Hammers, screwdrivers, pliers, adjustable wrenches, handsaws, tape measures, levels, clamps, and other traditional long-handled tools make up this product line. These products are marketed under the Trojan®, Cyclone® and Supercraft® brand names. In addition, gardening hand tools, such as trowels, cultivators, weeders and other specialty garden hand tools, are marketed under the AMES® brand name.
- *Pruning:* The pruning line is made up of pruners, loppers, shears and other tools sold primarily under the True Temper®, Cyclone® and Garant® brand names.
- *Garden Hose and Storage:* AMES offers a wide range of manufactured and sourced garden hoses and hose reels under the AMES®, NeverLeak®, Nylex® and Jackson® Professional Tools brand names.

Customers

AMES sells products throughout North America, Australia and Europe through (1) retail centers, including home centers and mass merchandisers, such as The Home Depot, Inc. ("Home Depot"), Lowe's Companies Inc. ("Lowe's"), Wal-Mart Stores Inc. ("Walmart"), Canadian Tire Corporation, Limited, Costco Wholesale Corporation, Rona Inc., Bunnings Warehouse ("Bunnings") and Woodies; (2) wholesale chains, including hardware stores and garden centers, such as Ace, Do-It-Best and True Value Company; and (3) industrial distributors, such as W.W. Grainger, Inc. and ORS Nasco.

Home Depot, Lowe's and Bunnings are significant customers of AMES. The loss of any of these customers would have a material adverse effect on the AMES business and on Griffon.

Product Development

AMES product development efforts focus on both new products and product line extensions. Products are developed through in-house industrial design and engineering staffs to introduce new products and product line extensions timely and cost effectively.

Sales and Marketing

AMES' sales organization is structured by distribution channel in the U.S., and by country internationally. In the U.S., a dedicated team of sales professionals is provided for each of the large retail customers. Offices are maintained adjacent to each of the three largest customers' headquarters, supported by dedicated in-house sales analysts. In addition, sales professionals are assigned to domestic, wholesale and industrial distribution channels. Sales teams located in Canada, Australia and Ireland handle sales in each of their respective regions. In Australia, a dedicated team of sales professionals is provided for the largest retail customer.

Raw Materials and Suppliers

AMES' primary raw material inputs include resin (primarily polypropylene and high density polyethylene), wood (mainly ash, hickory and poplar logs) and steel (hot rolled and cold rolled). In addition, some key materials and components are purchased, such as heavy forged components and wheelbarrow tires; most final assembly is completed internally in order to ensure consistent quality. All raw materials are generally available from a number of sources.

Competition

The long-handled tools and landscaping product industry is highly competitive and fragmented. Most competitors consist of small, privately-held companies focusing on a single product category. Some competitors, such as Fiskars Corporation in the hand tool and pruning tool market and Truper Herramientas S.A. de C.U. in the long-handled and garden tool space, compete in various tool categories. Suncast Corporation competes in the hose reel and accessory market, and more recently in the long-handled plastic snow shovel category and Swan Hose competes in the garden hose market. In addition, there is competition from imported or sourced products from China, India and other low-cost producing countries, particularly in long-handled tools, wheelbarrows, planters, striking tools and pruning tools.

The principal factors by which AMES differentiates itself and provides the best value to customers are innovation, service, quality, and product performance. AMES' size, depth and breadth of product offering, category knowledge, research and development ("R&D") investment, service and its ability to react to sudden changes in demand from seasonal weather patterns, especially during harsh winter months, are competitive advantages. Offshore manufacturers lack sufficient product innovation, capacity, proximity to market and distribution capabilities to service large retailers to compete in highly seasonal, weather related product categories.

Manufacturing & Distribution

AMES has two distribution facilities in the U.S., a 1.2 million square foot facility in Carlisle, Pennsylvania and a 400,000 square foot facility in Reno, Nevada. Finished goods are transported to these facilities from its manufacturing sites by both an internal fleet, as well as over the road trucking and rail. Additionally, light assembly is performed at the Carlisle and Reno locations. Distribution centers are also maintained in Canada, Australia and Ireland. AMES has a combination of internal and external, and domestic and foreign manufacturing sources from which it sources products for sale in the markets it serves.

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. The actions, completed at the end of the 2015 first quarter, improved manufacturing and distribution efficiencies, allowed for in-sourcing of certain production previously performed by third party suppliers, and improved material flow and absorption of fixed costs. AMES' initiative resulted in annual cash savings exceeding $10,000. Realization of savings began in the 2015 second quarter.

Clopay Building Products

Since 1964, CBP has grown, organically and through tuck-in acquisitions, to become the leading manufacturer and marketer of residential and commercial garage doors, and among the largest manufacturers of commercial sectional doors, in the U.S. In addition, CBP manufactures a complete line of entry door systems uniquely designed to complement its popular residential garage door styles. The majority of CBP's sales come from home remodeling and renovation projects, with the balance from new residential housing construction and commercial building markets. Sales into the home remodeling market are driven by the aging of the housing stock, existing home sales activity, and the trends of improving both home appearance and energy efficiency. CBP employs approximately 1,500 employees.

According to the U.S. census, calendar year 2016 new construction single-family home starts will increase by 5%. The repair and remodel market rose 4% for the trailing twelve months ending September 2016, with modest growth expectations for the balance of the calendar year. The commercial segment saw spending fall 10% for the year (according to estimates from McGraw Hill Construction Dodge). According to industry sources, the residential and commercial sectional garage door market for calendar year 2015 was estimated to be $1,900,000, an increase of $50,000 over the prior year.

Brands

CBP brings over 50 years of experience and innovation to the garage door industry. Our market-leading brands include Clopay®, America's Favorite Garage Doors®, Holmes Garage Door Company® and IDEAL Door®. Clopay is the only residential garage door brand to hold the Good Housekeeping Seal of Approval.

Products and Service

CBP manufactures a broad line of residential sectional garage doors with a variety of options, at varying prices. CBP offers garage doors made primarily from steel, plastic composite and wood, and also sells related products, such as garage door openers manufactured by third parties.

CBP also markets commercial sectional doors, which are similar to residential garage doors, but are designed to meet the more demanding performance specifications of a commercial application.

CBP has a complete line of entry door systems uniquely designed to complement its popular residential garage door styles.

Customers

CBP is currently the exclusive supplier of residential garage doors throughout North America to Home Depot and Menards. The loss of either of these customers would have a material adverse effect on CBP's and Griffon's business. CBP distributes its garage doors directly to customers from its manufacturing facilities and through its distribution centers located throughout the U.S. and Canada. These distribution centers allow CBP to maintain an inventory of garage doors near installing dealers and provide quick-ship service to retail and professional dealer customers.

Product Development

CBP product development efforts focus on both new products and improvements to existing products. Products are developed through in-house design and engineering staffs.

CBP operates a technical development center where its research engineers design, develop and implement new products and technologies and perform durability and performance testing of new and existing products, materials and finishes. CBP continually improves its garage door offerings through these development efforts, focusing on characteristics such as strength, design and energy efficiency. Also at this facility, the process engineering team works to develop new manufacturing processes and production techniques aimed at improving manufacturing efficiencies and ensuring quality-made products.

Sales and Marketing

The CBP sales and marketing organization supports our customers, consults on new product development and aggressively markets garage door solutions, with a primary focus on the North

American market. CBP maintains a strong promotional presence, in both traditional and digital media. CBP developed a web application that guides consumers through an easy to use visualization and pricing program, allowing them to select the optimal door for their home.

Raw Materials and Suppliers

The principal raw material used in CBP's manufacturing is galvanized steel. CBP also utilizes certain hardware components, as well as wood and insulated foam. All raw materials are generally available from a number of sources.

Competition

The garage door industry includes several large national manufacturers and many smaller, regional and local manufacturers. CBP competes on the basis of service, quality, price, brand awareness and product design.

CBP's brand names are widely recognized in the building products industry. CBP believes that it has earned a reputation among installing dealers and retailers for producing a broad range of innovative, high-quality doors with industry leading lead times. CBP's market position and brand recognition are key marketing tools for expanding its customer base, leveraging its distribution network and increasing its market share.

Distribution

CBP distributes its products through a wide range of distribution channels. CBP owns and operates a national network of 50 distribution centers. Additionally, products are sold to approximately 2,000 independent professional installing dealers and to major home center retail chains. CBP maintains strong relationships with its installing dealers and believes it is the largest supplier of residential garage doors to the retail and professional installing channels in North America.

Manufacturing

CBP has substantially completed a 200,000 square foot expansion of its state-of-the-art manufacturing facility in Troy, Ohio. This expansion reflects increased customer demand for its core products, and CBP's success in bringing new technologies to market. The Troy facility now has 1.23 million square feet of combined manufacturing and office space. CBP's Russia, Ohio facility provides additional production capacity, particularly for specialized and custom products.

Telephonics Corporation

Telephonics, founded in 1933, is recognized globally as a leading provider of highly sophisticated intelligence, surveillance and communications solutions that are deployed across a wide range of land, sea and air applications. Telephonics designs, develops, manufactures and provides logistical support and lifecycle sustainment services to defense, aerospace and commercial customers worldwide. In 2016, approximately 70% of the segment's sales were to the U.S. Government and agencies thereof, as a prime or subcontractor, 27% to international customers and 3% to U.S. commercial customers. Telephonics is headquartered in Farmingdale, New York and currently employs approximately 1,200 people.

Telephonics is organized into four primary business lines: Radar Systems, Communications and Surveillance, Systems Engineering and Commercial Products. Radar Systems specializes in maritime surveillance, search and rescue, and weather surveillance solutions. Communications and Surveillance Systems provides intercommunication systems with wireless extensions that distribute voice and data on a variety of platforms, Identification Friend or Foe (IFF) interrogators, border surveillance systems and

Air Traffic Management (ATM) products. Telephonics' Systems Engineering Group (SEG) provides highly technical threat and radar systems engineering as well as analytic support to a wide range of customers, including the United States Missile Defense Agency and Ballistic Missile Defense Program. Commercial Products specializes in wireless intercommunications systems, ATM automation products and commercial audio products. TLSI, or Telephonics Large Scale Integration, a part of Commercial Products, is a full-service designer and provider of high-voltage, high-temperature, low-power, mixed-signal System-on-Chip (SoC) and custom Application Specific Integrated Circuits (ASICs).

To meet the unique challenges of operating in an increasingly complex industry that is faced with continued economic and budgetary pressure on U.S. defense procurement, Telephonics has adapted its core surveillance and communications products, typically used by the U.S. government and its agencies, to meet the needs of international customers in both defense and commercial markets. Telephonics' two largest product lines include maritime surveillance radar and aircraft intercommunication management systems and as Telephonics continues to concentrate on adjacent markets to grow these product lines both domestically and internationally, the company remains focused on delivering high-quality products and services that protect military personnel and civilian interests world-wide.

Telephonics' leading-edge products and services are well-positioned to address the needs of a fully integrated and modernized battlefield with an emphasis on providing complete situational awareness to the warfighter whether on the ground, in the air or at sea, providing timely, secure and accurate intelligence. Telephonics anticipates that the need for secure, integrated surveillance and communications capabilities will continue to increase as the U.S. and foreign militaries expand their role in fighting terrorism both at home and abroad. Telephonics has also invested in design and development of technologies focused on advanced intelligence and surveillance sensors with applications in both manned and unmanned systems, as well as border and perimeter security markets.

Telephonics is a partner in Mahindra Telephonics Integrated Systems, a Joint Venture (JV) with Mahindra Defense Systems in India. The business is focused on providing the Indian defense and civil sectors with surveillance, communications and IFF systems. The JV also intends to provide ATM, border and perimeter security and other surveillance technologies to meet emerging demands.

Programs and Products

Based on long-established relationships supported by existing contractual arrangements, Telephonics is a first-tier supplier to prime contractors in the defense industry such as Lockheed Martin Corporation ("Lockheed Martin"), The Boeing Company ("Boeing"), Northrop Grumman Corporation ("Northrup Grumman"), MacDonald Dettwiler and Associates Ltd., Airbus Military, Airbus Helicopters, Leonardo (Agusta Westland) Helicopters, and SAAB, and is at times a prime contractor to the U.S. Department of Defense. The significance of each of these customers to Telephonics' revenue fluctuates on an annual basis, based on the timing and funding of the Original Equipment Manufacturers ("OEM") contract award, and the technological scope of the work required. The significant contraction and consolidation in the U.S. and international defense industry provides opportunities for established first-tier suppliers to capitalize on existing relationships with major prime contractors and to play a larger role in defense systems development and procurement for the foreseeable future.

Telephonics continues to direct resources towards border surveillance and critical infrastructure security initiatives. These opportunities represent strategic advances for Telephonics by enabling it to expand its core technical expertise into the nascent and growing border and perimeter security markets, both in the U.S. and abroad. With many of these programs, system specifications and operational and test requirements are challenging, exacerbated by demanding delivery schedules. Telephonics believes that the technological capabilities that these systems encompass will also be able to serve and protect the most complex borders.

In 2016, Telephonics was awarded a contract from Oshkosh Defense, LLC for NetCom™ Vehicle Intercommunications Systems to be integrated onto the company's Joint Light Tactical Vehicle (JLTV) for the U.S. Army and Marine Corps. The faster and more agile JLTV will replace a portion of the military's current fleet of up-armored HMMWVs. With the additional capabilities of NetCom, these vehicles will further enhance the situational awareness and safety of U.S. troops via clear and secure communications.

In 2015, Telephonics continued to focus its resources in commercial markets, and was successful in receiving a contract award from the Metropolitan Transportation Authority via the Long Island Railroad, as well as continued performance under existing contracts and additional awards from the Federal Aviation Administration. We believe these recent customer relationships will position Telephonics to continue growing in these adjacent commercial markets through leveraging its core technology and production capabilities.

Backlog

The funded backlog for Telephonics approximated $420,000 at September 30, 2016, compared to $442,000 at September 30, 2015. Approximately 71% of the current backlog is expected to be filled during 2017.

Backlog represents the dollar value of funded orders for which work has not been performed. Backlog generally increases with bookings and converts into revenue as we incur costs related to contractual commitments or the shipment of product. The decrease in backlog was primarily attributed to the timing of various international contract awards associated with radar and surveillance opportunities that were not received by the end of the reporting period. Given the nature of our business and a larger dependency on international customers, our bookings, and therefore our backlog, is impacted by the longer maturation cycles resulting in delays in the timing and amounts of such awards, which are subject to numerous factors, including fiscal constraints placed on customer budgets; political uncertainty; the timing of customer negotiations; and the timing of governmental approvals.

Customers

The U.S. Government, through prime contractors like Lockheed Martin, Northrop Grumman and Boeing, is a significant customer of Telephonics. The loss of the U.S. Government or any of its prime contractors as a customer could have a material adverse effect on Telephonics' business. Notwithstanding the significance of Lockheed Martin, Northrop Grumman and Boeing, Telephonics sells to a diverse group of other domestic and international defense industry contractors, as well as others who use Telephonics products for commercial use.

Telephonics participates in a range of long-term defense and non-military government programs, both in the U.S. and internationally. Telephonics has developed a base of installed products that generate significant recurring revenue from product enhancements and retrofits, as well as providing spare parts and customer support. Due to the inherent complexity of these electronic systems, Telephonics believes that its incumbent status on major platforms provides a competitive advantage in the selection process for platform upgrades and enhancements. Furthermore, Telephonics believes that its ability to leverage and apply its advanced technology to new platforms provides a competitive advantage when bidding for new business.

Research and Development ("R&D")

In order to continue to offer affordable solutions that provide relevant and required features, Telephonics works closely with prime customers to ensure that there is a future market for its products by investing R&D funds in desired enhancements. Telephonics continually updates its core technologies through internally funded R&D while coordinating with customers at the earliest stages of new program development in an effort to provide solutions well in advance of its competitors. Internally funded R&D costs include basic and applied research initiatives, development activities, and other conceptual formulation studies. Telephonics is a technological leader in its core markets and pursues new growth opportunities by leveraging its systems design and engineering capabilities, and incumbent position, on key platforms.

In addition to products for defense programs, Telephonics' technology is also used in commercial applications such as airborne weather, search and rescue radar, and air traffic management systems. Telephonics' reputation for innovative product design and engineering capabilities, especially in the areas of voice and data communications, radio frequency design, digital signal processing, networking systems, inverse synthetic aperture radar and analog, digital and mixed-signal integrated circuits, will continue to enhance its ability to secure, retain and expand its participation in defense programs and commercial opportunities.

Telephonics often designs its products to exceed customers' minimum specifications, providing its customers with greater performance, flexibility, and value. Telephonics believes that early participation and communication with its customers in the requirements definition stages of new program development increases the likelihood that its products will be selected and integrated as part of a total system solution.

Sales and Marketing

Telephonics has technical business development personnel who act as the focal point for its marketing activities and sales representatives who introduce its products and systems to customers worldwide.

Competition

Telephonics competes with major manufacturers of electronic information and communication systems, as well as several smaller manufacturers of similar products. Telephonics endeavors to design high quality and reliable products with greater performance and flexibility than its competitors while competing on the basis of technology, innovative solutions, and price.

Manufacturing Facilities

Telephonics' facilities are located in the U.S., primarily in New York. Telephonics also maintains a Technical Support Services Center in Elizabeth City, North Carolina, which supports aircraft integration and upgrade activities in addition to providing support services to customers.

Clopay Plastic Products

PPC traces its history to the 1860s as a paper wholesaler, and was incorporated under the Clopay name in 1934 when it was primarily a manufacturer of paper products. In the 1950s, PPC expanded its product line to include extruded plastic products, and today PPC is a global leader in the development and production of embossed, laminated and printed specialty plastic films for hygienic, health-care and industrial products. Products include thin gauge embossed and printed films, elastomeric films, laminates of film and non-woven fabrics, and perforated films and non-wovens. These products are used as moisture barriers in disposable infant diapers, adult incontinence products and feminine hygiene products, protective barriers in single-use surgical and industrial gowns, drapes and equipment covers, fluid transfer/distribution layers in absorbent products, components to enhance comfort and fit in infant diaper and adult incontinence products, packaging for hygienic products, house wrap and other products. PPC products are sold through a direct sales force, primarily to multinational consumer and medical products companies. PPC employs approximately 1,500 employees.

The markets in which PPC participates have been affected by several key trends over the past five years. These trends include increased use of disposable products in developing countries and favorable demographics, including increasing immigration in major global economies. Other trends representing significant opportunities include the continued demand for innovative products such as cloth-like, breathable, laminated and printed products, and large consumer products companies' needs for global supply partners. Certain breathable film patents in the U.S. held by other companies are set to expire in calendar 2016, which is expected to create new opportunities in breathable film diaper and adult incontinence markets. Notwithstanding positive trends affecting the industry, product design changes by the customer can change the products manufactured by PPC and associated demand.

PPC believes that its business development activities targeting major multinational and regional producers of hygiene, healthcare and related products, and its investments in its technology development capability and capacity increases, will lead to additional sales of new and related products.

Products

PPC specialty plastic film is a thin-gauge film engineered to provide certain performance characteristics and is manufactured from polymer resins. A laminate is the combination of a plastic film and a woven or non-woven fabric. These products are produced using both cast and blown extrusion and various laminating processes. High speed, multi-color custom printing of films, customized embossing patterns, siliconization and proprietary perforation technology further differentiate our products. Specialty plastic film products typically provide a unique combination of performance characteristics, such as breathability, barrier properties, fluid flow management, elastic properties, processability and aesthetic appeal that meet specific, proprietary customer needs.

Customers

PPC largest customer is The Procter & Gamble Company ("P&G"), which has accounted for approximately half of PPC's revenue over the last five years. The loss of this customer would have a material adverse effect on each of PPC's and Griffon's business. Notwithstanding the significance of P&G, PPC sells to a diverse group of other leading consumer, health care and industrial companies.

Product Development

PPC is an industry leader in the research, design and development of specialty plastic film and laminate products. PPC operates a technical center where polymer chemists, scientists and engineers work independently, and in partnership with customers to develop new technologies, products, processes and product applications.

PPC's R&D efforts have resulted in many inventions covering embossing patterns, improved processing methods, product formulations, product applications and other proprietary technology. Products developed include microporous breathable films and cost-effective printed films and laminates. Microporous breathability provides for moisture vapor transmission and airflow while maintaining barrier properties resulting in improved comfort and skin care. Elastic laminates provide the user with improved comfort and fit. Printed films and laminates provide consumer preferred aesthetics, such as softness and visual appeal. Perforated films and non-wovens provide engineered fluid transfer with unique softness and aesthetics. Siliconization provides a mechanism to release hygiene product from film without damaging the product. PPC holds a number of patents for its specialty film and laminate products and related manufacturing processes. While patents play a significant role, PPC believes that its proprietary know-how and the knowledge, ability and experience of its employees are more significant to its long-term success.

During April 2016, PPC announced a Sof-flex® breathable film investment which will expand breathable film capacity in North America, Europe and Brazil, increase our extrusion and print capacity, and enhance our innovation and technology capabilities. We expect the project to be completed in fiscal 2018. These investments will allow PPC to maintain and extend its technological advantage and allow us to differentiate ourselves from competitors, while meeting increasing customer demand for lighter, softer, more cost effective and more environmentally friendly products.

Sales and Marketing

PPC sells its products primarily in North America, Europe, and South and Central America with additional sales in Asia Pacific, the Middle East and Africa. PPC primarily utilizes an internal direct sales force, with senior management actively participating in developing and maintaining close contacts with customers.

PPC seeks to expand its market presence by providing innovative products and services to major international consumer products companies. Specifically, PPC believes that it can continue to increase its North American sales and expand internationally through ongoing product development and enhancement, and by marketing its technologically-advanced films, laminates and printed films for use in all of its markets. Operations in Germany and Brazil, and most recently in Asia, provide a strong platform for additional sales growth in international markets.

Raw Materials and Suppliers

Plastic resins, such as polyethylene and polypropylene, and non-woven fabrics are the basic raw materials used in the manufacture of substantially all PPC products. The price of resin has fluctuated dramatically over the past five years primarily due to volatility in oil and natural gas prices, foreign exchange and producer capacity. PPC customer contracts generally provide for adjusting selling prices based on underlying resin costs on a delayed basis. Resins are purchased in pellet form from several suppliers. Sources for raw materials are believed to be adequate for current and anticipated needs.

Competition

PPC has a number of competitors, some of whom are larger, in the specialty plastic films and laminates market. PPC competes on quality, service and price using its technical expertise, product development capabilities and broad international footprint to enhance its market position, build and maintain long-term customer relationships and meet changing customer needs.

Manufacturing

Specialty plastic film and laminate products are manufactured using high-speed equipment designed to meet stringent tolerances. The manufacturing process consists of melting a mixture of polymer resins and additives, and forcing this mixture through a combination of die and rollers to produce thin films. Laminates of films and non-wovens are manufactured by a variety of techniques to meet customer needs. In addition, films and laminates can be printed.

PPC's U.S. manufacturing facilities are in Augusta, Kentucky and Nashville, Tennessee from which it sells plastic films and laminates throughout the U.S. and various parts of the world.

PPC has two manufacturing facilities in Germany from which it sells plastic films throughout Europe, the Middle East and Africa. PPC also has operations in Brazil and China, which manufacture plastic hygienic and specialty films. PPC's international operations provide a platform to broaden participation in Europe, the Middle East, South America and Asia and strengthen PPC's position as a global supplier.

During the third quarter of 2016, PPC recorded $5,900 in restructuring charges, primarily related to headcount reductions at PPC's Dombuhl, Germany facility, other location headcount reductions and the shutdown of PPC's Turkey facility. The Dombuhl charges are related to an optimization plan that will drive innovation and enhance our industry leading position in printed breathable backsheet. The facility will be transformed into a state of the art hygiene products facility focused on breathable printed film and siliconized products. In conjunction with this effort, our customer base will be streamlined, and we will dispose of old assets and reduce overhead costs, allowing for gains in efficiencies.

Griffon Corporation

Employees

Griffon and its subsidiaries employ approximately 6,000 people located primarily throughout the U.S., Canada, Europe, Brazil, Australia and China. Approximately 200 of these employees are covered by collective bargaining agreements in the U.S., with the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (an affiliate of the American Federation of Labor and Congress of Industrial Organizations), and the United Food & Commercial Workers International Union. Additionally, approximately 200 employees in Canada are represented by the Trade Union Advisory Committee. Griffon believes its relationships with its employees are satisfactory.

Generally, the total number of employees of Griffon and its subsidiaries does not significantly fluctuate throughout the year. However, acquisition activity or the opening of new branches or lines of business may increase the number of employees or fluctuations in the level of Griffon's business activity, which could in turn require staffing level adjustments in response to actual or anticipated customer demand.

Regulation

Griffon's operations are subject to various environmental, health, and employee safety laws and regulations. Griffon believes that it is in material compliance with these laws and regulations. Historically, compliance with environmental laws has not materially affected, and is not expected to materially affect, Griffon's capital expenditures, earnings or competitive position in the future. Nevertheless, Griffon cannot guarantee that, in the future, it will not incur additional costs for compliance or that such costs will not be material.

Telephonics, which sells directly and indirectly to the U.S. government, is subject to certain regulations, laws and standards set by the U.S. government. Additionally, Telephonics is subject to routine audits and investigations by U.S. Government Agencies such as the Defense Contract Audit Agency, the Defense Security Service, with respect to its classified contracts, and other Inspectors General. These agencies review a contractor's performance under its contracts, cost structure and compliance with applicable laws, regulations and standards, including those relating to facility and personnel security clearances. These agencies also review the adequacy of, and a contractor's compliance with, its internal control systems and policies, including the contractor's management, purchasing, property, estimating, compensation, and accounting and information systems.

Customers

A small number of customers account for, and are expected to continue to account for, a substantial portion of Griffon's consolidated revenue. In 2016:

a. The U.S. Government and its agencies, through prime and subcontractor relationships, represented 16% of Griffon's consolidated revenue and 70% of Telephonics' revenue.

b. P&G represented 13% of Griffon's consolidated revenue and 51% of PPC revenue.

c. Home Depot represented 13% of Griffon's consolidated revenue and 24% of HBP's revenue.

No other customer accounted for 10% or more of consolidated revenue. Future operating results will continue to substantially depend on the success of Griffon's largest customers and our relationships with them. Orders from these customers are subject to change and may fluctuate materially. The loss of all or a portion of volume from any one of these customers could have a material adverse impact on Griffon's financial results, liquidity and operations.

Seasonality

Historically, Griffon's revenue and income were lowest in our first and fourth quarters ending December 31, and September 30, respectively, and highest in our second and third quarters ending March 31, and June 30, respectively, primarily due to the seasonality of AMES' business. In 2016, 56% of AMES' sales occurred during the second and third quarters compared to 56% in 2015 and 58% in 2014. CBP's business is driven by residential renovation and construction during warm weather, which is generally at reduced levels during the winter months, generally in our second quarter. Griffon's revenue is expected to be lowest in the first quarter and highest in the third quarter.

Demand for lawn and garden products is influenced by weather, particularly weekend weather during peak gardening season. AMES' sales volume can be adversely affected by certain weather patterns such as unseasonably cool or warm temperatures, hurricanes, water shortages or floods. In addition, lack of snow or lower than average snowfall during the winter season may result in reduced sales of certain AMES products, such as snow shovels and other snow tools. As a result, AMES' results of operations, financial results and cash flows could be adversely impacted.

Financial Information About Geographic Areas

Segment and operating results are included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

For geographic financial information, see the Reportable Segment footnote in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Griffon's non-U.S. businesses are primarily in Germany, Canada, Brazil, Australia and China.

Research and Development

Griffon's businesses are encouraged to improve existing products as well as develop new products to satisfy customer needs; expand revenue opportunities; maintain or extend competitive advantages; increase market share and reduce production costs. R&D costs, not recoverable under contractual arrangements, are charged to expense as incurred. R&D costs for Griffon were $26,200 in 2016, $25,600 in 2015 and $23,400 in 2014.

Intellectual Property

Griffon follows a practice of actively protecting and enforcing its proprietary rights in the U.S. and throughout the world where Griffon's products are sold. All intellectual property information presented in this section is as of September 30, 2016.

Trademarks are of significant importance to Griffon's HBP business. With 50 years of experience and innovation in the garage door industry, and with Clopay being the only residential garage door brand to hold the Good Housekeeping Seal of Approval, CBP has a significant level of goodwill in its strong family of brands, including: Clopay®, America's Favorite Garage Doors®; Holmes Garage Door Company® and IDEAL Door®. Principal global and regional trademarks used by AMES include AMES®, True Temper®, Garant®, UnionTools®, Hound Dog®, Westmix™, Cyclone®, Southern Patio®, Northcote Pottery™, Kelso™, Dynamic Design™, Razor-Back® Professional Tools and Jackson® Professional Tools. The HBP business has approximately 793 registered trademarks and approximately 109 pending trademark applications around the world. PPC uses the Clopay® trademark in addition to its 7 other brand names, and holds 80 registered trademarks and 4 pending trademark applications around the world. Griffon's rights in these trademarks endure for as long as they are used and registered.

Patents are significant to PPC. Technology evolves rapidly in the plastics business, and PPC's customers are constantly striving to offer products with innovative features at a competitive price to the end consumer. As a result, PPC constantly seeks to offer new and innovative products to its customers. PPC has 19 issued patents and 12 pending patent applications in the U.S., and 120 corresponding foreign patents and patent applications, primarily covering breathable and elastic polymer films and laminates for use in personal hygiene applications, as well as innovative technologies that are extensions of our core capabilities. Patents are also important to our HBP business. CBP holds 20 issued patents in the U.S., as well as 14 corresponding foreign patents, primarily related to garage door system components. AMES protects its designs and product innovation through the use of patents, and currently has 267 issued patents and 40 pending patent applications in the U.S., as well as 233 and 30 corresponding foreign patents and patent applications, respectively. Design patents are generally valid for fourteen years, and utility patents are generally valid for twenty years, from the date of filing. Our patents are in various stages of their terms of validity.

In the government and defense business, formal intellectual property rights are of limited value. Therefore, our Telephonics business tends to hold most of its important intellectual property as trade secrets, which it protects through the use of contract terms and carefully restricting access to its technology.

Executive Officers of the Registrant

The following is a current list of Griffon's executive officers:

Name	Age	Positions Held and Prior Business Experience
Ronald J. Kramer	58	Chief Executive Officer since April 2008, Director since 1993, Vice Chairman of the Board since November 2003. From 2002 through March 2008, President and a Director of Wynn Resorts, Ltd., a developer, owner and operator of destination casino resorts. From 1999 to 2001, Managing Director at Dresdner Kleinwort Wasserstein, an investment banking firm, and its predecessor Wasserstein Perella & Co. Member of the board of directors of Business Development Corporation of America. Formerly on the board of directors of Leap Wireless International, Inc. (NASDAQ: LEAP). Mr. Kramer is the son-in-law of Harvey R. Blau, Griffon's Chairman of the Board.
Robert F. Mehmel	54	President and Chief Operating Officer since December 2012. From August 2008 to October 2012, President and Chief Operating Officer of DRS Technologies ("DRS"), a supplier of integrated products, services and support to military forces, intelligence agencies and prime contractors worldwide. From May 2006 to August 2008, Executive Vice President and Chief Operating Officer of DRS and from January 2001 to May 2006, Executive Vice President, Business Operations and Strategy, of DRS.
Brian G. Harris	47	Senior Vice President and Chief Financial Officer since August 2015. From November 2012 to July 2015, Vice President and Controller of Griffon. From July 2009 to July 2015, Griffon's Chief Accounting Officer. From May 2005 to June 2009, Assistant Controller of Dover Corporation, a diversified global manufacturer (NYSE: DOV). Prior to this time, held various finance and accounting roles with Hearst Argyle Television (Formerly NYSE: HTV), John Wiley and Sons, Inc. (NYSE: JW.A) and Arthur Andersen, LLP.
Seth L. Kaplan	47	Senior Vice President, General Counsel and Secretary since May 2010. From July 2008 to May 2010, Assistant General Counsel and Assistant Secretary at Hexcel Corporation, a manufacturer of advanced composite materials for space and defense, commercial aerospace and wind energy applications. From 2000 to July 2008, Senior Corporate Counsel and Assistant Secretary at Hexcel. From 1994 to 2000, associate at the law firm Winthrop, Stimson, Putnam & Roberts (now Pillsbury Winthrop Shaw Pittman LLP).

Item 1A. *Risk Factors*

Griffon's business, financial condition, operating results and cash flows can be impacted by a number of factors which could cause Griffon's actual results to vary materially from recent or anticipated future results. The risk factors discussed in this section should be carefully considered with all of the information in this Annual Report on Form 10-K. These risk factors should not be considered the only risk factors facing Griffon. Additional risks and uncertainties not presently known or that are currently deemed immaterial may also materially impact Griffon's business, financial condition, operating results and cash flows in the future.

In general, Griffon is subject to the same general risks and uncertainties that impact other diverse manufacturing companies including, but not limited to, general economic, industry and/or market conditions and growth rates; impact of natural disasters and their effect on global markets; continued events in the Middle East and Asia and possible future terrorist threats and their effect on the worldwide economy; and changes in laws or accounting rules. Griffon has identified the following specific risks and uncertainties that it believes have the potential to materially affect its business and financial condition.

Current worldwide economic uncertainty and market volatility could adversely affect Griffon's businesses.

The current worldwide economic uncertainty and market volatility could continue to have an adverse effect on Griffon during 2017, particularly in HBP, which is substantially linked to the U.S. housing market and the U.S. economy in general. Purchases of AMES' products are discretionary for consumers who are generally more willing to purchase products during periods in which favorable macroeconomic conditions prevail. Additionally, the current condition of the credit markets could impact Griffon's ability to refinance expiring debt, obtain additional credit for investments in current businesses or for acquisitions, with favorable terms, or may render financing unavailable. Griffon is also exposed to basic economic risks including a decrease in the demand for the products and services it offers or a higher likelihood of default on its receivables.

Adverse trends in the housing sector and in general economic conditions will directly impact Griffon's business.

HBP's business is influenced by market conditions for new home construction and renovation of existing homes. For the year ended September 30, 2016, approximately 53% of Griffon's consolidated revenue was derived from the HBP segment, which is heavily dependent on new home construction and renovation of existing homes. The strength of the U.S. economy, the age of existing home stock, job growth, interest rates, consumer confidence and the availability of consumer credit, as well as demographic factors such as migration into the U.S. and migration of the population within the U.S., also have an effect on HBP. To the extent market conditions for new home construction and renovation of existing home are weaker than expected, this will likely have an adverse impact on the performance and financial results of the HBP business.

Griffon operates in highly competitive industries and may be unable to compete effectively.

Griffon's operating companies face intense competition in each of the markets served. There are a number of competitors, some of which are larger and have greater resources than Griffon's operating companies. As the economy continues to become more global, Griffon's operating companies may face additional competition from companies that operate in countries with significantly lower operating costs, and as a result, Griffon could lose market share with its customers or may have to lower prices in order to maintain market share. Griffon competes primarily on the basis of competitive prices, technical expertise, product differentiation, and quality of products and services. There can be no assurance that Griffon will not encounter increased competition in the future, which could have a material adverse effect on Griffon's financial results.

The loss of large customers can harm financial results.

A small number of customers account for, and are expected to continue to account for, a substantial portion of Griffon's consolidated revenue. Approximately 13% of consolidated revenue and 51% of the PPC segment revenue for the year ended September 30, 2016 was generated from P&G. Home Depot, Lowe's, Menards and Bunnings are significant customers of HBP with Home Depot accounting for approximately 13% of consolidated revenue and 24% of HBP's revenue for the year ended September 30, 2016. The U.S. Government and its agencies and subcontractors, including Lockheed Martin and Boeing, is a significant customer of Telephonics, and accounts for approximately 16% of consolidated revenue and 70% of Telephonics segment revenue, inclusive of sales made through Lockheed Martin and Boeing where Telephonics serves as a subcontractor; Lockheed Martin and Boeing each represent less than 10% of consolidated revenue inclusive of such sales to the U.S. Government. Future operating results will continue to substantially depend on the success of Griffon's largest customers, as well as Griffon's relationship with them. Orders from these customers are subject to fluctuation and may be reduced materially due to changes in customer needs or other factors. Any reduction or delay in sales of products to one or more of these customers could significantly reduce Griffon's revenue. Griffon's operating results will also depend on successfully developing relationships with additional key customers. Griffon cannot assure that its largest customers will be retained or that additional key customers will be recruited. Also, HBP and PPC extend credit to their customers, which exposes them to credit risk. HBP's largest customer accounted for approximately 26% and 14% of HBP's and Griffon's net accounts receivable as of September 30, 2016, respectively. PPC largest customer accounted for approximately 31% and 7% of PPC and Griffon's net accounts receivable as of September 30, 2016, respectively. If either of these customers were to become insolvent or otherwise unable to pay its debts, the financial condition, results of operations and cash flows of the respective segments and Griffon could be adversely affected.

Reliance on third party suppliers and manufacturers may impair AMES' ability to meet its customer demands.

AMES relies on a limited number of domestic and foreign companies to supply components and manufacture certain of its products. The percentage of AMES products sourced, based on revenue, approximated 36% in 2016. Reliance on third party suppliers and manufacturers may reduce control over the timing of deliveries and quality of AMES' products. Reduced product quality or failure to deliver products timely may jeopardize relationships with certain of AMES' key customers. In addition, reliance on third party suppliers or manufacturers may result in the failure to meet AMES' customer demands. Continued turbulence in the worldwide economy may affect the liquidity and financial condition of AMES' suppliers. Should any of these parties fail to manufacture sufficient supply, go out of business or discontinue a particular component, alternative suppliers may not be found in a timely manner, if at all. Such events could impact AMES' ability to fill orders, which could have a material adverse effect on customer relationships.

If Griffon is unable to obtain raw materials for products at favorable prices it could adversely impact operating performance.

HBP's and PPC's suppliers primarily provide resin, wood and steel. These segments could experience shortages of raw materials or components for products or be forced to seek alternative sources of supply. If temporary shortages due to disruptions in supply caused by weather, transportation, production delays or other factors require raw materials to be secured from sources other than current suppliers, the terms may not be as favorable as current terms or certain materials may not be available at all. In recent years, HBP and PPC have experienced price increases in steel and plastic resins.

While most key raw materials used in Griffon's businesses are generally available from numerous sources, raw materials are subject to price fluctuations. Because raw materials in the aggregate constitute a significant component of the cost of goods sold, price fluctuations could have a material adverse effect on Griffon's results of operations. Griffon's ability to pass raw material price increases to customers is limited due to supply arrangements and competitive pricing pressure, and there is generally a time lag between increased raw material costs and implementation of corresponding price increases for Griffon's products. In particular, sharp increases in raw material prices are more difficult to pass through to customers and may negatively affect short-term financial performance.

AMES is subject to risks associated with sourcing from Asia.

A substantial amount of AMES finished goods sourcing is done through supply agreements with China based vendors. China does not have a well-developed, consolidated body of laws governing agreements with international customers. Enforcement of existing laws or contracts based on existing law may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. The relative inexperience of China's judiciary on matters of international trade in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Products entering from China may be subject to import quotas, import duties and other restrictions. Any inability to import these products into the U.S. and any tariffs that may be levied with respect to these products may have a material adverse result on AMES' business and results of operations, financial position and cash flows.

Griffon's businesses are subject to seasonal variations and the impact of uncertain weather patterns.

Historically, Griffon's revenue and income are lowest in our first and fourth quarters ending December 31, and September 30, respectively, and highest in our second and third quarters ending March 31, and June 30, respectively, primarily due to the seasonality of AMES' business. With the 2014 acquisition of Northcote and Cyclone, both in Australia, AMES' revenue is less susceptible to seasonality. In 2016, 56% of AMES' sales occurred during the second and third quarters compared to 56% in 2015 and 58% in 2014. CBP's business is driven by residential renovation and construction during warm weather, which is generally at reduced levels during the winter months, generally in our second quarter. Griffon's revenue is expected to be lowest in the first quarter and highest in the third quarter.

Demand for lawn and garden products is influenced by weather, particularly weekend weather during the peak gardening season. AMES sales volumes could be adversely affected by certain weather patterns such as unseasonably cool or warm temperatures, hurricanes, water shortages or floods. In addition, lack of snow or lower than average snowfall during the winter season may result in reduced sales of certain AMES products, such as snow shovels and other snow tools. As a result, AMES' results of operations, financial results and cash flows could be adversely impacted.

Further consolidation in the retail industry may adversely affect profitability.

Home centers and mass merchandisers have consolidated and increased in scale. If this trend continues, customers will likely seek more favorable pricing and other terms for their purchases of products, which will limit Griffon's ability to pass through raw material or other cost increases, or to raise prices for any reason. Sales on terms less favorable than current terms could have a material adverse effect on profitability.

Unionized employees could strike or participate in a work stoppage.

Griffon employs approximately 6,000 people on a full-time basis, approximately 7% of whom are covered by collective bargaining or similar labor agreements (all within Telephonics and AMES). If unionized employees engage in a strike or other work stoppage, or if Griffon is unable to negotiate acceptable extensions of agreements with labor unions, a significant disruption of operations and increased operating costs could occur. In addition, any renegotiation or renewal of labor agreements could result in higher wages or benefits paid to unionized employees, which could increase operating costs and could have a material adverse effect on profitability.

Griffon may be required to record impairment charges for goodwill and indefinite-lived intangible assets.

Griffon is required to assess goodwill and indefinite-lived intangible assets annually for impairment or on an interim basis if changes in circumstances or the occurrence of events suggest impairment exists. If impairment testing indicates that the carrying value of reporting units or indefinite-lived intangible assets exceeds the respective fair value, an impairment charge would be recognized. If goodwill or indefinite-lived intangible assets were to become impaired, the results of operations could be materially and adversely affected.

Trends in the baby diaper market will directly impact Griffon's business.

Recent trends have been for baby diaper manufacturers to request thinner plastic films for use in their products which reduces the amount of product sold and PPC revenue; this trend has generally resulted in PPC incurring costs to redesign and reengineer products to accommodate required specification changes. Such decreases, or the inability to meet changing customer specifications, could result in a material decline in PPC revenue and profits.

Telephonics' business depends heavily upon government contracts and, therefore, the defense budget.

Telephonics sells products to the U.S. government and its agencies both directly and indirectly as a first-tier supplier to prime contractors in the defense industry such as Lockheed Martin, Boeing and Northrop Grumman. In the year ended September 30, 2016, U.S. government contracts and subcontracts accounted for approximately 16% of Griffon's consolidated revenue. Contracts involving the U.S. government may include various risks, including:

- Termination for default or for convenience by the government;
- Reduction or modification in the event of changes in the government's requirements or budgetary constraints;
- Increased or unexpected costs, causing losses or reduced profits under contracts where Telephonics' prices are fixed, or determinations that certain costs are not allowable under particular government contracts;
- The failure or inability of the prime contractor to perform its contract in circumstances where Telephonics is a subcontractor;
- Failure to observe and comply with government business practice and procurement regulations such that Telephonics could be suspended or barred from bidding on or receiving awards of new government contracts;
- The failure of the government to exercise options for additional work provided for in contracts;
- The inherent discretion of government agencies in determining whether Telephonics has complied with all specifications set forth in a government contract; and
- The government's right, in certain circumstances, to freely use technology developed under these contracts.

All of Telephonics' U.S. Government end-user contracts contain a termination for convenience clause, regardless if Telephonics is the prime contractor or the subcontractor. This clause generally entitles Telephonics, upon a termination for convenience, to receive the purchase price for delivered items, reimbursement of allowable work-in-process costs, and an allowance for profit. Allowable costs would include the costs to terminate existing agreements with suppliers.

The programs in which Telephonics participates may extend for several years, and may be funded on an incremental basis. Decreases in the U.S. defense budget, in particular with respect to programs to which Telephonics supplies materials, could have a material adverse impact on Telephonics' financial conditions, results of operations and cash flows. The U.S. government may not continue to fund programs to which Telephonics' development projects apply. Even if funding is continued, Telephonics may fail to compete successfully to obtain funding pursuant to such programs. Reductions to funding on existing programs or delays in the funding of new opportunities could affect the timing of revenue recognition, and impact Telephonics' and Griffon's results of operations.

Ability of government to fund and conduct its operations

The impact of a government shutdown for any duration could have a material adverse effect on Telephonics' revenues, profits and cash flows. Telephonics relies on government personnel to conduct routine business processes related to the inspection and delivery of products for various programs, to approve and pay certain billings and invoices, to process export licenses and for other administrative services that, if disrupted, could have an immediate impact on Telephonics' business.

Telephonics' business could be adversely affected by a negative audit by the U.S. Government

As a government contractor, and a subcontractor to government contractors, Telephonics is subject to audits and investigations by U.S. Government Agencies such as the Defense Contract Audit Agency, the Defense Security Service, with respect to its classified contracts, other Inspectors General and the Department of Justice. These agencies review a contractor's performance under its contracts, its cost structure and compliance with applicable laws and standards as well as compliance with applicable regulations, including those relating to facility and personnel security clearances. These agencies also review the adequacy of, and a contractor's compliance with, its internal control systems and policies, including the contractor's management, purchasing, property, estimating, compensation, and accounting and information systems. Any costs found to be misclassified or improperly allocated to a specific contract will not be reimbursed, or must be refunded if already billed and collected. Griffon could incur significant expenses in complying with audits and subpoenas issued by the government in aid of inquiries and investigations. If an audit or an investigation uncovers improper or illegal activities, Telephonics may be subject to civil and criminal penalties and/or administrative sanctions, which could include contract termination, forfeiture of profit, suspension of payments, fines, including treble damages, and suspension or prohibition from doing business with the U.S. Government. In addition, if allegations of impropriety are made, Telephonics and Griffon could suffer serious harm to their reputation.

Many of our contracts contain performance obligations that require innovative design capabilities, are technologically complex, or are dependent upon factors not wholly within our control. Failure to meet these obligations could adversely affect customer relations, future business opportunities, and our overall profitability.

Telephonics designs, develops and manufactures advanced and innovative surveillance and communication products for a broad range of applications for use in varying environments. As with many of our programs, system specifications, operational requirements and test requirements are challenging, exacerbated by the need for quick delivery schedules. Technical problems encountered and delays in the development or delivery of such products, as well as the inherent discretion involved in government approval related to compliance with applicable specifications of products supplied under government contracts, could prevent us from meeting contractual obligations, which could subject us to termination for default. Under a termination for default, the company is entitled to negotiate payment for undelivered work if the Government requests the transfer of title and delivery of partially completed supplies and materials. Conversely, if the Government does not make this request, there is no obligation to reimburse the company for its costs incurred. We may also be subject to the repayment of advance and progress payments, if any. Additionally, the company may be liable to the Government for any of its excess costs incurred in acquiring supplies and services similar to those terminated for default, and for other damages. Should any of the foregoing events occur, it could result in a material adverse effect on our financial position.

Our business could be negatively affected by cyber or other security threats or other disruptions.

As a U.S. defense contractor, Telephonics may be the target of cyber security threats to its information technology infrastructure and unauthorized attempts to gain access to sensitive information. The types of threats could vary from attacks common to most industries to more advanced and persistent, highly organized adversaries who target us because of national security information in our possession. If we are unable to protect sensitive information, our customers or governmental authorities could question the adequacy of our security processes and procedures and our compliance with evolving government cyber security requirements for government contractors. Due to the evolving nature of these security threats, however, the impact of any future incident cannot be predicted.

The costs related to cyber or other security threats or disruptions could be significant. Security events such as these could adversely affect our internal operations, our future financial results, our reputation, as well as result in the loss of competitive advantages derived from our research and development efforts and other intellectual property.

If our subcontractors or suppliers fail to perform their obligations, our performance and our ability to win future business could be harmed.

We rely on other companies to provide materials, major components and products to fulfill our contractual obligations. Such arrangements may involve subcontracts, teaming arrangements, or supply agreements with other companies. There is a risk that we may have disputes regarding the quality and timeliness of work performed. In addition, changes in the economic environment, including defense budgets and constraints on available financing, may adversely affect the financial stability of our supply chain and their ability to meet their performance requirements or to provide needed supplies on a timely basis. A disruption or failure of any supplier could have an adverse effect on the business resulting in an impact to profitability, possible termination of a contract, imposition of fines or penalties, and harm to our reputation impacting our ability to secure future business.

Griffon's companies must continually improve existing products, design and sell new products and invest in research and development in order to compete effectively.

The markets for PPC and Telephonics are characterized by rapid technological change, evolving industry standards and continuous improvements in products. Due to constant changes in these markets, future success depends on their ability to develop new technologies, products, processes and product applications.

Product and technological developments are accomplished both through internally-funded R&D projects, as well as through strategic partnerships with customers. Because it is not generally possible to predict the amount of time required and costs involved in achieving certain R&D objectives, actual development costs may exceed budgeted amounts and estimated product development schedules may be extended. Griffon's financial condition and results of operations may be materially and adversely affected if:

- Product improvements are not completed on a timely basis;
- New products are not introduced on a timely basis or do not achieve sufficient market penetration;
- There are budget overruns or delays in R&D efforts; or
- New products experience reliability or quality problems, or otherwise do not meet customer preferences or requirements.

Griffon may be unable to implement its acquisition growth strategy, which may result in added expenses without a commensurate increase in revenue and income and divert management's attention.

Making strategic acquisitions is a significant part of Griffon's growth plans. The ability to successfully complete acquisitions depends on identifying and acquiring, on acceptable terms, companies that either complement or enhance currently held businesses or expand Griffon into new profitable businesses, and, for certain acquisitions, obtaining financing on acceptable terms. Additionally, Griffon must properly integrate acquired businesses in order to maximize profitability. The competition for acquisition candidates is intense and Griffon cannot assure that it will successfully identify acquisition candidates and complete acquisitions at reasonable purchase prices, in a timely manner, or at all. Further, there is a risk that acquisitions will not be properly integrated into Griffon's existing structure. In implementing an acquisition growth strategy, the following may be encountered:

- Costs associated with incomplete or poorly implemented acquisitions;
- Expenses, delays and difficulties of integrating acquired companies into Griffon's existing organization;
- Dilution of the interest of existing stockholders;
- Diversion of management's attention; or
- Difficulty in obtaining financing on acceptable terms, or at all.

An unsuccessful implementation of Griffon's acquisition growth strategy could have an adverse impact on Griffon's results of operations, cash flows and financial condition.

The loss of certain key officers or employees could adversely affect Griffon's business.

The success of Griffon is materially dependent upon the continued services of certain key officers and employees. The loss of such key personnel could have a material adverse effect on Griffon's operating results or financial condition.

Griffon is exposed to a variety of risks relating to non-U.S. sales and operations, including non-U.S. economic and political conditions and fluctuations in exchange rates.

Griffon and its companies conduct operations in Germany, Canada, Brazil, Australia and China, and sell their products in many countries around the world. Sales of products through non-U.S. subsidiaries accounted for approximately 20% of consolidated revenue for the year ended September 30, 2016. These sales could be adversely affected by changes in political and economic conditions, trade protection measures, the ability of the Company to enter into industrial cooperation agreements (off-set agreements), differing intellectual property rights laws and changes in regulatory requirements that restrict the sales of products or increase costs in such locations. Enforcement of existing laws in such jurisdictions can be uncertain, and the lack of a sophisticated body of laws can create various uncertainties, including with respect to customer and supplier contracts. Currency fluctuations between the U.S. dollar and the currencies in the non-U.S. regions in which Griffon does business may also have an impact on future reported financial results.

Our international sales and operations are subject to applicable laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect our operations. We are subject to various anti-corruption laws that prohibit improper payments or offers of payments to foreign governments and their officials for the purpose of obtaining or retaining business. In addition, we are subject to export controls, laws and regulations applicable to us, including the Arms Export Control Act, the International Traffic in Arms Regulation and the Export Administration Regulations, and economic sanctions laws and embargoes imposed by various governments or organizations, including the U.S. and the European Union or member countries. Violations of anti-corruption, export controls, or sanctions laws may result in severe criminal or civil sanctions and penalties, including debarments from export privileges, loss of authorizations needed to conduct our international business, or harm our ability to enter into contracts with the U.S. Government, and we may be subject to other liabilities, which could have a material adverse effect on our business, results of operations and financial condition.

Griffon may not be able to protect its proprietary rights.

Griffon relies on a combination of patent, copyright and trademark laws, common law, trade secrets, confidentiality and non-disclosure agreements and other contractual provisions to protect proprietary rights. Such measures do not provide absolute protection and Griffon cannot give assurance that measures for protecting these proprietary rights are and will be adequate, or that competitors will not independently develop similar technologies.

Griffon may inadvertently infringe on, or may be accused of infringing on, proprietary rights held by another party.

Griffon is regularly improving its technology and employing existing technologies in new ways. Though Griffon takes reasonable precautions to ensure it does not infringe on the rights of others, it is possible that Griffon may inadvertently infringe on, or be accused of infringing on, proprietary rights held by others. If Griffon is found to have infringed on the propriety rights held by others, any related litigation or settlement relating to such infringement may have a material effect on Griffon's business, results of operations and financial condition.

Griffon is exposed to product liability and warranty claims.

Griffon is subject to product liability and warranty claims in the ordinary course of business, including with respect to former businesses now included within discontinued operations. These claims relate to the conformity of its products with required specifications, and to alleged or actual defects in Griffon's products (or in end-products in which Griffon's products were a component part) that cause damage to property or persons. There can be no assurance that the frequency and severity of product liability claims brought against Griffon will not increase, which claims can be brought either by an injured customer of an end product manufacturer who used one of Griffon's products as a component or by a direct purchaser. There is also no assurance that the number and value of warranty claims will not increase as compared to historical claim rates, or that our warranty reserve at any particular time is sufficient. No assurance can be given that indemnification from customers or coverage under insurance policies will be adequate to cover future product liability claims against Griffon; for example, product liability insurance typically does not cover claims for punitive damages. Warranty claims are typically not covered by insurance at all. Product liability insurance can be expensive, difficult to maintain and may be unobtainable in the future on acceptable terms. The amount and scope of any insurance coverage may be inadequate if a product liability claim is successfully asserted. Furthermore, if any significant claims are made, the business and the related financial condition of Griffon may be adversely affected by negative publicity.

Griffon has been, and may in the future be, subject to claims and liabilities under environmental laws and regulations.

Griffon's operations and assets are subject to environmental laws and regulations pertaining to the discharge of materials into the environment, the handling and disposal of wastes, including solid and hazardous wastes, or otherwise relating to health, safety and protection of the environment, in various jurisdictions in which it operates. Griffon does not expect to make any expenditure with respect to ongoing compliance with or remediation under these environmental laws and regulations that would have a material adverse effect on its business, operating results or financial condition. However, the applicable requirements under environmental laws and regulations may change at any time.

Griffon can incur environmental costs related to sites that are no longer owned or operated, as well as third-party sites to which hazardous materials are sent. It cannot be assured that material expenditures or liabilities will not be incurred in connection with such claims. See the Commitment and Contingencies footnote in the Notes to Consolidated Financial Statements for further information on environmental contingencies. Based on facts presently known, the outcome of current environmental matters are not expected to have a material adverse effect on Griffon's results of operations and financial condition. However, presently unknown environmental conditions, changes in environmental laws and regulations or other unanticipated events may give rise to claims that may involve material expenditures or liabilities.

Changes in income tax laws and regulations or exposure to additional income tax liabilities could adversely affect profitability.

Griffon is subject to Federal, state and local income taxes in the U.S. and in various taxing jurisdictions outside the U.S. Tax provisions and liabilities are subject to the allocation of income among various U.S. and international tax jurisdictions. Griffon's effective tax rate could be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in any valuation allowance for deferred tax assets or the amendment or enactment of tax laws. The amount of income taxes paid is subject to audits by U.S. Federal, state and local tax authorities, as well as tax authorities in the taxing jurisdictions outside the U.S. If such audits result in assessments different from recorded income tax liabilities, Griffon's future financial results may include unfavorable adjustments to its income tax provision.

Compliance with restrictions and covenants in Griffon's debt agreements may limit its ability to take corporate actions.

The credit agreement entered into by, and the terms of the senior notes issued by, Griffon each contain covenants that restrict the ability of Griffon and its subsidiaries to, among other things, incur additional debt, pay dividends, incur liens and make investments, acquisitions, dispositions, restricted payments and capital expenditures. Under the credit agreement, Griffon is also required to comply with specific financial ratios and tests. Griffon may not be able to comply in the future with these covenants or restrictions as a result of events beyond its control, such as prevailing economic, financial and industry conditions or a change in control of Griffon. If Griffon defaults in maintaining compliance with the covenants and restrictions in its credit agreement or the senior notes, its lenders could declare all of the principal and interest amounts outstanding due and payable and, in the case of the credit agreement, terminate their commitments to extend credit to Griffon in the future. If Griffon or its subsidiaries are unable to secure credit in the future, its business could be harmed.

The conversion contingency provision of the convertible notes may cause reported earnings per share to be more volatile, and may cause a dilutive impact to existing stockholders

The outstanding convertible notes are convertible at maturity. Under the terms of the 2017 Notes, Griffon has the right to settle the conversion of the 2017 Notes in cash, stock or a combination of cash and stock. On July 14, 2016, Griffon announced that it will settle, upon conversion, up to $125,000 of the conversion value of the 2017 Notes in cash, with amounts in excess of $125,000, if any, to be settled in shares of Griffon common stock. The potential shares of Griffon common stock issuable for the amount, if any, in excess of $125,000 of conversion value of the notes are considered in the calculation of diluted earnings per share and volatility in Griffon's stock price could cause these notes to be dilutive at one point in time and not at another point in time. In addition, to the extent the conversion value of the notes is in excess of $125,000 at maturity, there will be a dilutive impact to existing holders of Griffon's common stock.

Griffon may be unable to raise additional financing if needed

Griffon may need to raise additional financing in the future in order to implement its business plan, refinance debt, or to acquire new or complimentary businesses or assets. Any required additional financing may be unavailable, or only available at unfavorable terms, due to uncertainties in the credit markets. If Griffon raises additional funds by issuing equity securities, current holders of its common stock may experience significant ownership interest dilution and the holders of the new securities may have rights senior to the rights associated with current outstanding common stock.

Griffon's indebtedness and interest expense could limit cash flow and adversely affect operations and Griffon's ability to make full payment on outstanding debt.

Griffon's indebtedness poses potential risks such as:

- A substantial portion of cash flows from operations could be used to pay principal and interest on debt, thereby reducing the funds available for working capital, capital expenditures, acquisitions, product development and other general corporate purposes;
- Insufficient cash flows from operations may force Griffon to sell assets, or seek additional capital, which Griffon may not be able to accomplish on favorable terms, if at all; and
- The level of indebtedness may make Griffon more vulnerable to economic or industry downturns.

Griffon has the ability to issue additional equity securities, which would lead to dilution of issued and outstanding common stock.

The issuance of additional equity securities or securities convertible into equity securities would result in dilution to existing stockholders' equity interests. Griffon is authorized to issue, without stockholder vote or approval, 4,200,000 shares of preferred stock in one or more series, and has the ability to fix the rights, preferences, privileges and restrictions of any such series. Any such series of preferred stock could contain dividend rights, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences or other rights superior to the rights of holders of Griffon's common stock. While there is no present intention of issuing any such preferred stock, Griffon reserves the right to do so in the future. In addition, Griffon is authorized to issue, without stockholder approval, up to 85,000,000 shares of common stock, of which 45,169,758 shares, net of treasury shares, were outstanding as of September 30, 2016. Additionally, Griffon is authorized to issue, without stockholder approval, securities convertible into either shares of common stock or preferred stock.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Griffon occupies approximately 8,100,000 square feet of general office, factory and warehouse space throughout the U.S., Germany, Canada, Brazil, Australia, and China. For a description of the encumbrances on certain of these properties, see the Notes Payable, Capitalized Leases and Long-Term Debt footnote in the Notes to Consolidated Financial Statements. The following table sets forth certain information related to Griffon's major facilities:

Location	Business Segment	Primary Use	Approx. Square Footage	Owned/ Leased	Lease End Year
New York, NY	Corporate	Headquarters	10,000	Leased	2025
Jericho, NY	Corporate	Office	6,900	Leased	2018
Farmingdale, NY	Telephonics	Manufacturing/R&D	180,000	Owned	
Huntington, NY	Telephonics	Manufacturing	90,000	Owned	
Huntington, NY	Telephonics	Manufacturing	100,000	Leased	2021
Columbia, MD	Telephonics	Engineering	25,000	Leased	2023
Elizabeth City, NC	Telephonics	Repair and Service	22,000	Leased	2039
Mason, OH	Home & Building Products/ Clopay Plastic Products	Office/R&D	131,000	Owned	
Aschersleben, Germany	Clopay Plastic Products	Manufacturing	289,000	Owned	
Dombuhl, Germany	Clopay Plastic Products	Manufacturing	124,000	Owned	
Augusta, KY	Clopay Plastic Products	Manufacturing	354,000	Owned	
Nashville, TN	Clopay Plastic Products	Manufacturing	210,000	Owned	
Nashville, TN	Clopay Plastic Products	Manufacturing	190,000	Leased	2019
Jundiai, Brazil	Clopay Plastic Products	Manufacturing	114,000	Owned	
Hangzhou, China	Clopay Plastic Products	Manufacturing	66,000	Leased	2024
Troy, OH	Home & Building Products	Office, Manufacturing	1,230,000	Leased	2021
Russia, OH	Home & Building Products	Manufacturing	250,000	Owned	
Carlisle, PA	Home & Building Products	Manufacturing, Distribution	1,227,000	Leased	2020
Reno, NV	Home & Building Products	Manufacturing, Distribution	400,000	Leased	2022
Camp Hill, PA	Home & Building Products	Office, Manufacturing	380,000	Owned	
Harrisburg, PA	Home & Building Products	Manufacturing	264,000	Owned	
St. Francois, Quebec	Home & Building Products	Manufacturing, Distribution	353,000	Owned	
Falls City, NE	Home & Building Products	Manufacturing	82,000	Owned	
Cork, Ireland	Home & Building Products	Manufacturing, Distribution	74,000	Owned	
Victoria, Australia	Home & Building Products	Manufacturing	29,000	Leased	2019
Champion, PA	Home & Building Products	Wood Mill	225,000	Owned	
Victoria, Australia	Home & Building Products	Distribution	174,000	Leased	2023
Victoria, Australia	Home & Building Products	Distribution	54,000	Leased	2017
Queensland, Australia	Home & Building Products	Distribution	50,000	Leased	2018
New South Wales, Australia	Home & Building Products	Distribution	76,000	Leased	2020
Regency Park, South Australia	Home & Building Products	Distribution	62,000	Leased	2019
Welshpool, Western Australia	Home & Building Products	Distribution	97,000	Leased	2019
New South Wales, Australia	Home & Building Products	Distribution	32,000	Leased	2019

Griffon also leases approximately 960,000 square feet of space for the CBP distribution centers in numerous facilities throughout the U.S. and in Canada. In addition, AMES owns approximately 200,000 square feet of additional space for operational wood mills in the U.S.

All facilities are generally well maintained and suitable for the operations conducted.

Item 3. *Legal Proceedings*

Griffon is involved in litigation, investigations and claims arising out of the normal conduct of business, including those relating to commercial transactions, product liability and warranty claims, environmental, employment, and health and safety matters. Griffon estimates and accrues liabilities resulting from such matters based on a variety of factors, including the stage of the proceeding; potential settlement value; assessments by internal and external counsel; and assessments by environmental engineers and consultants of potential environmental liabilities and remediation costs. Such estimates are not discounted to reflect the time value of money due to the uncertainty in estimating the timing of the expenditures, which may extend over several years.

While it is impossible to ascertain the ultimate legal and financial liability with respect to certain contingent liabilities and claims, Griffon believes, based upon examination of currently available information, experience to date, and advice from legal counsel, that the individual and aggregate liabilities resulting from the ultimate resolution of these contingent matters, after taking into consideration our existing insurance coverage and amounts already provided for, will not have a material adverse impact on consolidated results of operations, financial position or cash flows.

Item 4. ***Reserved***

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Griffon's Common Stock is listed for trading on the New York Stock Exchange under the symbol "GFF". The following table shows, for the periods indicated, the quarterly range in the high and low sales prices for Griffon's Common Stock and the amount of dividends paid during the last two years:

	Fiscal 2016			Fiscal 2015		
	Market Prices		Dividends	Market Prices		Dividends
	High	Low	Per Share	High	Low	Per Share
Quarter ended December 31,	$19.24	$15.58	$0.05	$13.75	$10.54	$0.04
Quarter ended March 31,	17.58	13.45	0.05	17.65	12.72	0.04
Quarter ended June 30,	17.30	14.69	0.05	17.87	15.43	0.04
Quarter ended September 30,	17.87	15.88	0.05	17.85	15.45	0.04
			$0.20			$0.16

Dividends

During 2016, 2015 and 2014, the Company declared and paid dividends totaling $0.20 per share, $0.16 per share and $0.12 per share, respectively. The Company currently intends to pay dividends each quarter; however, payment of dividends is determined by the Board of Directors at its discretion based on various factors, and no assurance can be provided as to the payment of future dividends.

On November 16, 2016, the Company declared a $0.06 per share dividend payable on December 22, 2016 to shareholders of record as of December 5, 2016.

Holders

As of October 31, 2016, there were approximately 8,600 record holders of Griffon's Common Stock.

Securities Authorized for Issuance Under Equity Compensation Plans

Information regarding securities authorized for issuance under Griffon's equity compensation plans is contained in Part III, Item 12 of this Form 10-K.

Issuer Purchase of Equity Securities

The table below presents shares of Griffon Stock which were acquired by Griffon during the fourth quarter of 2016:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs
July 1–31, 2016	52,656[(2)]	$16.60	52,006	
August 1–31, 2016	240,031	17.11	240,031	
September 1–30, 2016	564,536[(3)]	16.93	542,964	
Total	857,223	$16.96	835,001	$51,637[(1)]

(1) Shares were purchased by the Company in open market purchases pursuant to share repurchases authorized by the Company's Board of Directors. On each of March 20, 2015, July 30, 2015 and August 3, 2016, the Company's Board of Directors authorized the repurchase of up to $50,000 of Griffon common stock; as of September 30, 2016, $51,637 remained available for purchase under both the July 30, 2015 and August 3, 2016 authorizations.

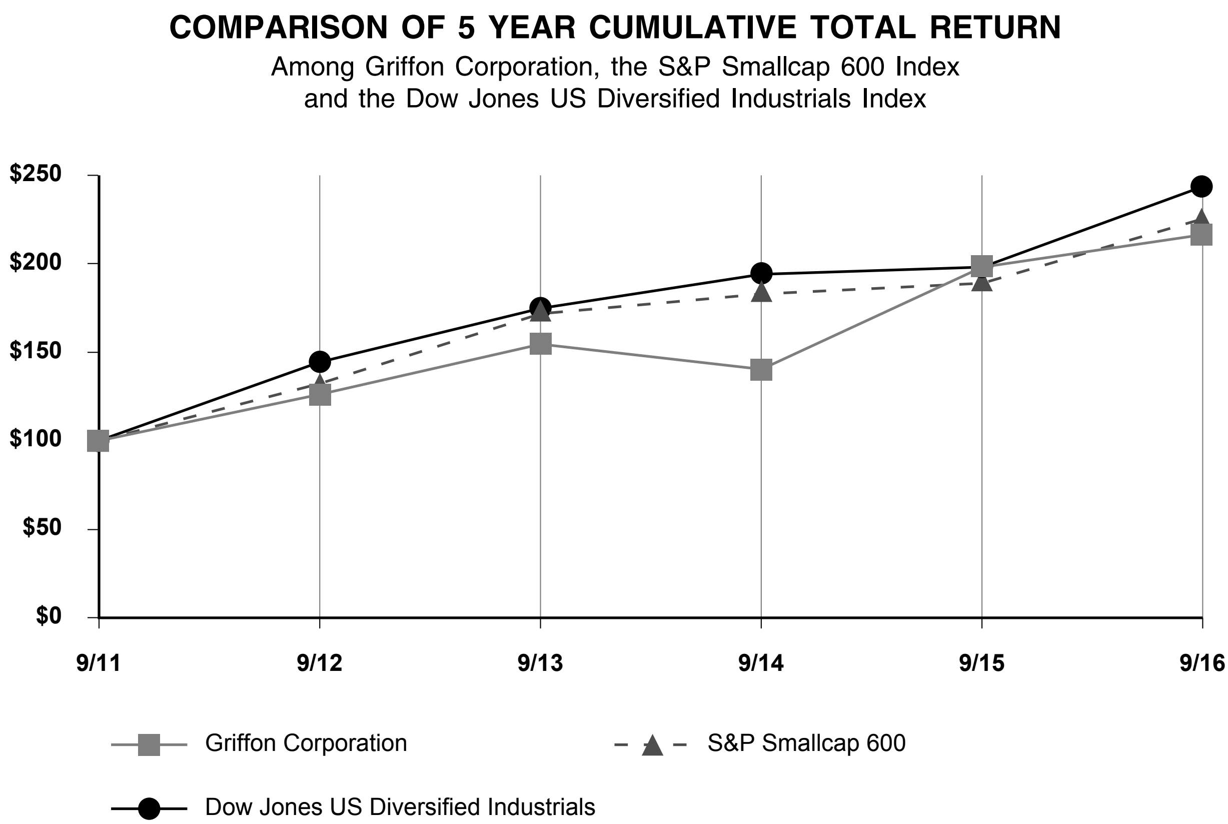
(2) Includes (a) 52,006 shares purchased by the Company in open market purchases pursuant to stock repurchases authorized by the Company's Board of Directors and (b) 650 shares acquired by the Company from holders of restricted stock upon vesting of the restricted stock to satisfy tax withholding obligations of the holders.

(3) Includes (a) 542,964 shares purchased by the Company in open market purchases pursuant to stock repurchases authorized by the Company's Board of Directors and (b) 21,572 shares acquired by the Company from the holders of restricted stock upon vesting of the restricted stock to satisfy tax withholding obligations of the holders.

Performance Graph

The performance graph does not constitute soliciting material, is not deemed filed with the SEC and is not incorporated by reference in any of Griffon's filings under the Securities Act of 1933 or the Exchange Act of 1934, whether made before or after the date of this Annual Report on Form 10-K and irrespective of any general incorporation language in any such filings, except to the extent Griffon specifically incorporates this performance graph by reference therein.

The following graph sets forth the cumulative total return to Griffon's stockholders during the five years ended September 30, 2016, as well as an overall stock market (S&P Small Cap 600 Index) and Griffon's peer group index (Dow Jones U.S. Diversified Industrials Index). Assumes $100 was invested on September 30, 2011, including the reinvestment of dividends, in each category.



Item 6. ***Selected Financial Data***

	For the Years Ended September 30,				
	2016	2015	2014	2013	2012
	(in thousands, except per share amounts)				
Revenue	$1,957,161	$2,016,032	$1,991,811	$1,871,327	$1,861,145
Income (loss) before taxes and discontinued operations	$ 53,164	$ 53,636	$ (5,716)	$ 14,333	$ 21,941
Provision (benefit) for income taxes	23,154	19,347	(5,539)	7,543	4,930
Income (loss) from continuing operations	30,010	34,289	(177)	6,790	17,011
Income (loss) from discontinued operations	—	—	—	(3,023)	—
Net Income (loss)	$ 30,010	$ 34,289	$ (177)	$ 3,767	$ 17,011
Basic earnings (loss) per share:					
Continuing operations	$ 0.73	$ 0.77	$ 0.00	$ 0.12	$ 0.30
Discontinued operations	—	—	—	(0.06)	0.00
Net income (loss)	$ 0.73	$ 0.77	$ 0.00	$ 0.07	$ 0.30
Weighted average shares outstanding	41,074	44,608	49,367	54,428	55,914
Diluted earnings (loss) per share:					
Continuing operations	$ 0.68	$ 0.73	$ 0.00	$ 0.12	$ 0.30
Discontinued operations	—	—	—	(0.05)	0.00
Net income (loss)	$ 0.68	$ 0.73	$ 0.00	$ 0.07	$ 0.30
Weighted average shares outstanding	44,109	46,939	49,367	56,563	57,329
Cash dividends declared per common share	$ 0.20	$ 0.16	$ 0.12	$ 0.10	$ 0.08
Capital expenditures	$ 90,759	$ 73,620	$ 77,094	$ 64,441	$ 68,851
Depreciation and amortization	$ 70,208	$ 69,800	$ 67,396	$ 70,748	$ 66,264
Total assets	$1,782,096	$1,712,813	$1,808,826	$1,777,608	$1,802,921
Current portion of debt	$ 22,644	$ 16,593	$ 7,886	$ 10,768	$ 17,703
Long term portion of debt, net	913,914	826,976	791,301	666,904	668,288
Total debt, net	$ 936,558	$ 843,569	$ 799,187	$ 677,672	$ 685,991

Notes:

Results of operations from acquired businesses are included from the date of acquisition forward. The fair value of assets and liabilities, inclusive of changes resulting from operating the businesses, are included in the first period ended after the date of each acquisition, and all periods thereafter.

2016 includes $5,900 of restructuring charges ($4,247, net of tax, or $0.10 per share), discrete tax provisions, net, of $2,658 or $0.06 per share.

2015 includes discrete tax benefits, net, of $62 or $0.00 per share.

2014 includes $6,136 of restructuring charges ($3,804, net of tax, or $0.07 per share), $3,161 of acquisition costs ($1,960, net of tax, or $0.04 per share), $38,890 loss on debt extinguishment ($24,964, net of tax, or $0.49 per share) and discrete tax benefits, net, of $4,679 or $0.09 per share.

2013 includes $13,262 of restructuring charges ($8,266, net of tax, or $0.15 per share), a loss on pension settlement of $2,142 ($1,392, net of tax, or $0.02 per share) and discrete tax benefits, net, of $325 or $0.01 per share.

2012 includes $4,689 of restructuring charges ($3,048, net of tax, or $0.05 per share), $477 of acquisition related costs ($310, net of tax, or $0.01 per share) and discrete tax benefits, net, of $5,110, or $0.09 per share.

Due to rounding, the sum of earnings per share of Continuing operations and Discontinued operations may not equal earnings per share or Net income.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

(Unless otherwise indicated, all references to years or year-end refers to the fiscal year ending September 30 and dollars are in thousands, except per share data)

OVERVIEW

The Company

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. In order to further diversify, Griffon 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"). HBP revenue accounted for 53% of Griffon's consolidated revenue in 2016 and 2015 and 49% in 2014:
  - AMES, founded in 1774, is the leading U.S. manufacturer and a global provider of long-handled tools and landscaping products for homeowners and professionals. AMES' revenue was 26% of Griffon's consolidated revenue in 2016, 27% in 2015 and 25% in 2014.
  - CBP, in business since 1964, is a leading manufacturer and marketer of residential and commercial garage doors and sells to professional dealers and some of the largest home center retail chains in North America. CBP's revenue was 27%, 26% and 24% of Griffon's consolidated revenue in 2016, 2015 and 2014.
- Telephonics Corporation ("Telephonics"), founded in 1933, is recognized globally as a leading provider of highly sophisticated intelligence, surveillance and communications solutions for defense, aerospace and commercial customers. Telephonics' revenue was 22% of Griffon's consolidated revenue in 2016 and 21% in both 2015 and 2014.
- Clopay Plastic Products Company, Inc. ("PPC"), incorporated in 1934, is a global leader in the development and production of embossed, laminated and printed specialty plastic films for hygienic, health-care and industrial products and sells to some of the world's largest consumer products companies. PPC's revenue was 25%, 26% and 30% of Griffon's consolidated revenue in 2016, 2015 and 2014, respectively.

CONSOLIDATED RESULTS OF OPERATIONS

2016 Compared to 2015

Revenue for the year ended September 30, 2016 was $1,957,161, compared to $2,016,032 in the prior year. Excluding the unfavorable impact of foreign currency, revenue trailed the prior year by 1% driven by HBP and PPC. Gross profit for 2016 was $473,434 compared to $475,778 in 2015, with gross margin as a percent of sales ("gross margin") of 24.2% and 23.6%, respectively.

Selling, general and administrative ("SG&A") expenses of $364,027 decreased 3% from the prior year amount of $374,761. SG&A for 2016, as a percent of revenue, was 18.6%, consistent with the prior year.

Interest expense in 2016 totaled $51,254, a 6% increase from the prior year primarily due to the May 2016 add-on offering of $125,000 of 5.25% senior notes due 2022.

Other income of $768 in 2016 and $491 in 2015 consists primarily of currency exchange transaction gains and losses from receivables and payables held in non-functional currencies, and net gains on investments.

Griffon reported pretax income of $53,164 for the year ended September 30, 2016 compared to $53,636 for the prior year. In 2016, the Company recognized a tax provision of 43.6% compared to 36.1% in 2015. The 2016 tax rate included a $2,658 provision consisting of a $3,380 valuation allowance on current year Germany net operating loss carryforwards that do not expire, offset by a net $722 discrete tax benefit. The $722 discrete tax benefit primarily consists of a $2,193 benefit related to the early adoption of the new FASB accounting guidance allowing the company to recognize excess tax benefits from the vesting of equity awards within income tax expense, offset by a $1,207 valuation allowance on prior period net operating loss carryforwards. The 2015 tax rate included a net discrete benefit of $0.1 million.

Excluding the impact of restructuring in 2016 restructuring and tax items, the effective tax rates for the year ended September 30, 2016 and 2015 were 37.5% and 36.2%, respectively. These rates reflect the impact of tax reserves and changes in earnings mix between U.S. and non-U.S. operations.

Net income was $30,010, or $0.68 per share, for 2016 compared to $34,289, or $0.73 per share in the prior year. The current year results included discrete tax provisions, net, of $2,658 or $0.06 per share and restructuring charges of $5,900 ($4,247, net of tax, or $0.10 per share). The prior year included discrete tax benefits, net, of $62 or $0.00 per share.

Excluding these items from both reporting periods, 2016 Net income would have been $36,915, or $0.84 per share compared to $34,227, or $0.73 per share, in 2015.

2015 Compared to 2014

Revenue for the year ended September 30, 2015 was $2,016,032, compared to $1,991,811 in the prior year. Excluding the unfavorable impact of foreign currency, revenue increased 5% driven by HBP and Telephonics. Gross profit for 2015 was $475,778 compared to $459,399 in 2014, with gross margin as a percent of sales ("gross margin") of 23.6% and 23.1%, respectively.

Selling, general and administrative ("SG&A") expenses of $374,761 remained consistent with the prior year amount of $375,099. SG&A for 2015, as a percent of revenue, decreased to 18.6% from 18.8% in 2014, reflecting the inclusion of the full year SG&A from the Northcote and Cyclone acquisitions, offset by the benefit of foreign currency translation. In 2014, SG&A included $3,161 of acquisition related expenses.

Interest expense in 2015 totaled $48,173, a 1% decrease from the prior year.

Other income of $491 in 2015 and $3,154 in 2014 consists primarily of currency exchange transaction gains and losses from receivables and payables held in non-functional currencies, and net gains on investments.

Griffon reported pretax income of $53,636 for the year ended September 30, 2015 compared to a pretax loss of $5,716 for the prior year. In 2015, the Company recognized a tax provision of 36.1% compared to a tax benefit of 96.9% in 2014. The 2015 and 2014 rates reflect net discrete benefits of $62 and $4,674, respectively, resulting from release of previously established reserves for uncertain tax positions, release of various valuation allowances, filing of tax returns and impact of law changes in various jurisdictions. Excluding discrete tax items, the 2015 rate would have been a provision of 36.2%, and the 2014 rate would have been a benefit of 15.1%. The effective rates reflect the impact of permanent differences not deductible in determining taxable income, mainly tax reserves, changes in earnings mix between domestic and non-domestic operations and in 2014 limited deductibility of restricted stock, which were material to the 2014 rate relative to the level of pretax result.

Net income was $34,289, or $0.73 per share, for 2015 compared to a loss of $177, or $0.00 per share in the prior year. The current year results included discrete tax benefits, net, of $62 or $0.00 per share.

The prior year results included:

- Loss from debt extinguishment of $38,890 ($24,964, net of tax or $0.49 per share);
- Restructuring charges of $6,136 ($3,804, net of tax, or $0.07 per share);
- Acquisition costs of $3,161 ($1,960, net of tax, or $0.04 per share); and
- Discrete tax benefits, net, of $4,674 or $0.09 per share.

Excluding these items from both reporting periods, 2015 Net income would have been $34,227, or $0.73 per share compared to $25,877, or $0.51 per share, in 2014. Excluding both the discrete tax benefit and the impact of foreign currency, current year adjusted net income would have been $37,751 or $0.80 per share.

Griffon evaluates performance based on Earnings per share and Net income (loss) excluding, as applicable, restructuring charges, loss on debt extinguishment, acquisition-related expenses and discrete and certain other tax items (a non-GAAP measure). Griffon believes this information is useful to investors for the same reason. The following table provides a reconciliation of Earnings per share and Net income (loss) to Adjusted earnings per share and Adjusted net income:

GRIFFON CORPORATION AND SUBSIDIARIES
RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED NET INCOME
(Unaudited)

	For the Years Ended September 30,		
	2016	2015	2014
Net Income (loss)	$30,010	$34,289	$ (177)
Adjusting items, net of tax:			
Loss from debt extinguishment	—	—	24,964
Restructuring	4,247	—	3,804
Acquisition costs	—	—	1,960
Discrete and certain other tax provisions (benefits)	2,658	(62)	(4,674)
Adjusted net income	$36,915	$34,227	$25,877
Earnings per common share	$ 0.68	$ 0.73	$ 0.00
Adjusting items, net of tax:			
Loss from debt extinguishment	—	—	0.49
Restructuring	0.10	—	0.07
Acquisition costs	—	—	0.04
Discrete and certain other tax provisions (benefits)	0.06	0.00	(0.09)
Adjusted earnings per share	$ 0.84	$ 0.73	$ 0.51

REPORTABLE SEGMENTS

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

	For the Years Ended September 30,		
	2016	2015	2014
INCOME (LOSS) BEFORE TAXES			
Segment operating profit:			
Home & Building Products	$ 79,682	$ 58,883	$ 40,538
Telephonics	42,801	43,006	45,293
PPC	20,313	33,137	28,881
Total segment operating profit	142,796	135,026	114,712
Net interest expense	(51,111)	(47,872)	(48,144)
Unallocated amounts	(38,521)	(33,518)	(33,394)
Loss from debt extinguishment	—	—	(38,890)
Income (loss) before taxes	$ 53,164	$ 53,636	$ (5,716)

Griffon evaluates performance and allocates resources based on each segments' operating results before interest income and expense, income taxes, depreciation and amortization, unallocated amounts (mainly corporate overhead), restructuring charges, loss on debt extinguishment and acquisition-related expenses, as applicable ("Segment adjusted EBITDA", a non-GAAP measure). 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 Years Ended September 30,		
	2016	2015	2014
Segment adjusted EBITDA:			
Home & Building Products	$114,949	$ 94,226	$ 77,171
Telephonics	53,385	53,028	57,525
PPC	50,079	57,103	56,291
Total Segment adjusted EBITDA	218,413	204,357	190,987
Net interest expense	(51,111)	(47,872)	(48,144)
Segment depreciation and amortization	(69,717)	(69,331)	(66,978)
Unallocated amounts	(38,521)	(33,518)	(33,394)
Loss from debt extinguishment	—	—	(38,890)
Restructuring charges	(5,900)	—	(6,136)
Acquisition costs	—	—	(3,161)
Income (loss) before taxes	$ 53,164	$ 53,636	$ (5,716)

Home & Building Products

	For the Years Ended September 30,					
	2016		2015		2014	
Revenue:						
AMES	$ 513,973		$ 535,881		$503,687	
CBP	527,370		516,320		475,756	
Home & Building Products	$1,041,343		$1,052,201		$979,443	
Segment operating profit	$ 79,682	7.7%	$ 58,883	5.6%	$ 40,538	4.1%
Depreciation and amortization	35,267		35,343		31,580	
Restructuring charges	—		—		1,892	
Acquisition costs	—		—		3,161	
Segment adjusted EBITDA	$ 114,949	11.0%	$ 94,226	9.0%	$ 77,171	7.9%

2016 Compared to 2015

Segment revenue decreased $10,858, or 1%, compared to the prior year period. Excluding a $14,900 or 1% unfavorable foreign currency impact, revenue remained consistent with the prior year period. AMES revenue decreased 4%, mainly driven by a combination of a warm winter and a cold and wet spring in both the U.S. and Canada, resulting in reduced snow and spring tool category sales, respectively, partially offset by improved sales of North American pots and planters and increased product offerings in Australia; foreign currency was 2% unfavorable. CBP revenue increased 2% compared to the prior year period, primarily due to improved volume and favorable mix; the impact of foreign currency was not material.

Segment operating profit in 2016 was $79,682 compared to $58,883 in 2015, an increase of $20,799, or 35% driven by operational efficiency improvements, cost control measures at AMES and increased volume and favorable mix at CBP and decreased material costs, which more than offset the impact of reduced revenue at AMES; foreign currency was 4% unfavorable. Segment depreciation and amortization remained consistent with the prior year.

On February 14, 2016, AMES Australia acquired substantially all of the Intellectual Property (IP) assets of Australia-based Nylex Plastics Pty Ltd. for $1,744. Through this acquisition, AMES and Griffon secured the ownership of the trademark “Nylex” for certain categories of AMES products, principally in the country of Australia. Previously, the Nylex name was licensed. The acquisition of the Nylex IP was contemplated as a post-closing activity of the Cyclone acquisition and supports AMES' Australian watering products strategy.

On October 15, 2015, CBP announced plans to expand its manufacturing facility in Troy, Ohio. CBP has substantially completed this 200,000 square foot expansion of its state-of-the-art facility, which reflects increased customer demand for its core products, and CBP's success in bringing new technologies to market. The Troy facility now has 1.23 million square feet of combined manufacturing and office space. CBP's Russia, Ohio facility provides additional production capacity, particularly for specialized and custom products.

2015 Compared to 2014

Segment revenue increased $72,758, or 7%, compared to the prior year reflecting a 5% contribution from the Cyclone (acquired in May 2014) and Northcote (acquired in December 2013) acquisitions and an unfavorable foreign currency impact of 3%. AMES revenue increased 6%, mainly driven by the inclusion of AMES acquisition results contributing 10%, and improved North American pots and planter and Canadian wheelbarrow sales; foreign currency was 4% unfavorable. CBP revenue increased 9% from the prior year, primarily due to improved volume and favorable mix; foreign currency was 1% unfavorable.

Segment operating profit in 2015 was $58,883 compared to $40,538 in 2014, an increase of $18,345, or 45%. The prior year included $1,892 of restructuring charges and $3,161 of acquisition costs; excluding such costs, prior year Segment operating profit was $45,591, resulting in a 29% increase. The current year included an unfavorable impact from foreign currency of $6,000 or 15%, which was more than offset by the full year contribution from AMES acquisitions of 15%, favorable product mix, improved CBP volume, and savings from the AMES plant consolidation initiative completed at the end of the 2015 first quarter. Segment depreciation and amortization increased $3,763 from the prior year.

On May 21, 2014, AMES acquired Cyclone for approximately $40,000. Cyclone 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. In the first year after acquisition, Cyclone was expected to generate approximately $65,000 in annualized revenue. SG&A expenses included $2,363 of related acquisition costs in 2014.

On December 31, 2013, AMES acquired Northcote, founded in 1897 and a leading brand in the Australian outdoor planter and decor market, for approximately $22,000. In the first year after the acquisition, Northcote was expected to generate approximately $28,000 of annualized revenue. SG&A expenses included $798 of related acquisition costs in 2014.

Restructuring and Acquisition Expenses

In 2014, HBP recognized $1,892 of restructuring and other related exit costs primarily related to one-time termination benefits, facility and other personnel costs, and asset impairment charges. As a result of these actions, HBP headcount was reduced by 46. In 2014, HBP had $3,161 of acquisition and integration costs related to Northcote and Cyclone.

Telephonics

	For the Years Ended September 30,					
	2016		2015		2014	
Revenue	$435,692		$431,090		$419,005	
Segment operating profit	$ 42,801	9.8%	$ 43,006	10.0%	$ 45,293	10.8%
Depreciation and amortization	10,584		10,022		7,988	
Restructuring charges	—		—		4,244	
Segment adjusted EBITDA	$ 53,385	12.3%	$ 53,028	12.3%	$ 57,525	13.7%

2016 Compared to 2015

Revenue in 2016 increased $4,602, or 1%, compared to the prior year period, due to mobile ground surveillance systems and dismounted Electronic Countermeasure systems, partially offset by airborne maritime and Identification Friend or Foe ("IFF") radar systems.

Segment operating profit remained consistent with the prior year period.

During 2016, Telephonics was awarded several new contracts and incremental funding on existing contracts approximating $413,400. Contract backlog was $420,000 at September 30, 2016 with 71% expected to be fulfilled in the next 12 months; backlog was $442,000 at September 30, 2015. Backlog is defined as unfilled firm orders for products and services for which funding has been both authorized and appropriated by the customer or Congress, in the case of the U.S. government agencies. The decrease in backlog was primarily due to the timing of various international contract awards associated with radar and surveillance opportunities that were not received by the end of the reporting period.

In December 2015, Telephonics invested an additional $2,726 increasing its equity stake from 26% to 49% in Mahindra Telephonics Integrated Systems (MTIS), a joint venture with Mahindra Defence Systems, a Mahindra Group Company. MTIS is an aerospace and defense manufacturing and development facility in Prithla, India.

2015 Compared to 2014

Revenue in 2015 increased $12,085, or 3%, compared to the prior year period primarily driven by Multi-Mode ASW and IFF radar systems, partially offset by decreased sales of airborne intercommunication products associated with the C-17 program.

Segment operating profit decreased $2,287 or 5%, and operating margin decreased 80 basis points compared to the prior year period. The prior year included $4,244 of restructuring costs; excluding such costs, prior year Segment operating profit was $49,537, resulting in a 13% decrease. The decrease was due to an increase in depreciation and amortization of $2,034 and unfavorable program mix from decreased revenue on airborne intercommunications product, partially offset by reduced operating expenses.

Restructuring

During 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.

Plastic Products Company

	For the Years Ended September 30,					
	2016		2015		2014	
Revenue	$480,126		$532,741		$593,363	
Segment operating profit	$ 20,313	4.2%	$ 33,137	6.2%	$ 28,881	4.9%
Depreciation and amortization	23,866		23,966		27,410	
Restructuring charges	5,900		—		—	
Segment adjusted EBITDA	$ 50,079	10.4%	$ 57,103	10.7%	$ 56,291	9.5%

2016 Compared to 2015

Revenue in 2016 decreased $52,615 or 10%, in comparison to 2015, primarily due to decreased volume of 4% driven by reduced North America and Europe baby care orders, unfavorable mix of 3% and a $17,100 or 3% unfavorable foreign currency impact. Resin pricing had no material impact on revenue in the current year. PPC adjusts selling prices based on underlying resin costs on a delayed basis.

Segment operating profit decreased $12,824 or 39%, compared to the prior year. During 2016, PPC recorded restructuring charges of $5,900 primarily related to headcount reductions at PPC's Dombuhl, Germany facility, other location headcount reductions and the shut down of PPC's Turkey facility. Excluding these charges, current year Segment operating profit was $26,213, a decrease of $6,924 or 21%, compared to the prior year, due to reduced volume and unfavorable mix, partially offset by decreased SG&A spending. Resin pricing and foreign currency did not have a material impact on Segment operating profit for the year. Segment depreciation and amortization remained consistent with the prior year.

During April 2016, PPC announced a Sof-flex® breathable film investment, which will expand breathable film capacity in North America, Europe and Brazil, increase our extrusion and print capacity, and enhance our innovation and technology capabilities. We expect the project to be completed in fiscal 2018. These investments will allow PPC to maintain and extend its technological advantage and allow it to differentiate itself from competitors, while meeting increasing customer demand for lighter, softer, more cost effective and more environmentally friendly products.

2015 Compared to 2014

Revenue in 2015 decreased $60,622 or 10%, in comparison to 2014, primarily due to the unfavorable impact of foreign currency of $46,051 or 8% and reduced volume of 2%, primarily due to product rationalization. Resin pricing had no material impact on revenue in the current year. PPC adjusts selling prices based on underlying resin costs on a delayed basis.

Segment operating profit increased $4,256 or 15%, compared to the prior year, primarily driven by a $4,600 change in the impact of resin pricing pass through, partially offset by reduced volume. The favorable impact of foreign currency was $1,000 or 3%. Segment depreciation and amortization decreased $3,444 from the prior year.

Restructuring

During the third quarter of 2016, PPC incurred pre-tax restructuring and related exit costs approximating $5,900 primarily related to headcount reductions at PPC's Dombuhl, Germany facility, other location headcount reductions and the shut down of PPC's Turkey facility. These actions resulted in the elimination of approximately 86 positions. The Dombuhl charges are related to an optimization plan that will drive innovation and enhance our industry leading position in printed breathable back sheet. In conjunction with this effort, our customer base will be streamlined, and we will dispose of old assets and reduce overhead costs, allowing for gains in efficiencies. Management estimates that these actions will result in annual cash savings of $4,000 based on current operating levels.

Unallocated Amounts

For 2016, unallocated amounts, which consist primarily of corporate overhead costs, totaled $38,521 compared to $33,518 in 2015 primarily due to expenses related to the pursuit of acquisition opportunities, expenses relating to an intellectual property legal claim (in which Griffon is the Plaintiff), and increased insurance costs.

For 2015, unallocated amounts, which consist primarily of corporate overhead costs, totaled $33,518 compared to $33,394 in 2014.

Segment Depreciation and Amortization

Segment depreciation and amortization of $69,717 in 2016 remained consistent with the prior year of $69,331.

Segment depreciation and amortization of $69,331 in 2015 increased $2,353 compared to 2014, primarily due to capital spending.

Comprehensive Income (Loss)

During 2016, total other comprehensive income, net of taxes, of $9,947 consisted of a $17,284 income on Foreign currency translation adjustments primarily due to the strengthening of the Euro, Canadian, Brazilian and Australian currencies, all in comparison to the U.S. Dollar, a $5,651 loss from Pension and other post-retirement benefits, primarily due to lower assumed discount rates compared to the prior year and a $1,686 loss on cash flow hedges.

During 2015, total other comprehensive loss, net of taxes, of $61,124 consisted of a $56,358 loss on Foreign currency translation adjustments primarily due to the weakening of the Euro, Canadian, Brazilian and Australian currencies, all in comparison to the U.S. Dollar, a $4,326 loss from Pension and other post-retirement benefits, primarily due to lower assumed discount rates compared to the prior year, a $430 gain on cash flow hedges and $870 settlement of available-for-sale securities.

DISCONTINUED OPERATIONS

In 2008, as a result of the downturn in the residential housing market, Griffon exited substantially all operating activities of its Installation Services segment which sold, installed and serviced garage doors and openers, fireplaces, floor coverings, cabinetry and a range of related building products, primarily for the new residential housing market. Griffon sold eleven units, closed one unit and merged two units into CBP. Operating results of substantially this entire segment have been reported as discontinued operations in the Consolidated Statements of Operations and Comprehensive Income (Loss) for all periods presented; Installation Services is excluded from segment reporting.

Griffon substantially concluded remaining disposal activities in 2009. There was no reported revenue in 2016, 2015 and 2014. Future net cash outflows to satisfy liabilities related to disposal activities accrued as of September 30, 2016 are estimated to be $3,390.

At September 30, 2016, Griffon's assets and liabilities for discontinued operations primarily related to income taxes and product liability, warranty and environmental reserves.

LIQUIDITY AND CAPITAL RESOURCES

Management assesses Griffon's liquidity in terms of its ability to generate cash to fund its operating, investing and financing activities. Significant factors affecting liquidity are: cash flows from operating activities, capital expenditures, acquisitions, dispositions, bank lines of credit and the ability to attract long-term capital under satisfactory terms. Griffon believes it has sufficient liquidity available to invest in existing businesses and strategic acquisitions while managing its capital structure on both a short-term and long-term basis.

The following table is derived from the Consolidated Statements of Cash Flows:

	Years Ended September 30,	
	2016	2015
	(in thousands)	
Cash Flows from Continuing Operations		
Net Cash Flows Provided By (Used In):		
Operating activities	$105,937	$ 76,137
Investing activities	(93,605)	(66,620)
Financing activities	8,888	(44,851)

Cash flows generated by operating activities for 2016 increased $29,800, to $105,937 compared to $76,137 in 2015, with the increase primarily driven from increased accounts payable and the receipt of income tax refunds. Cash provided by reductions in inventory were offset by increased accounts receivable.

During 2016, Griffon used cash in investing activities of $93,605 compared to $66,620 in 2015; the prior year included proceeds received of $8,891 from the sale of securities. In 2016, capital expenditures, net, totaled $89,850 compared to $73,286 in 2015. In December 2015, Telephonics invested an additional $2,726 increasing its equity stake from 26% to 49% in Mahindra Telephonics Integrated Systems (MTIS), a joint venture with Mahindra Defence Systems, a Mahindra Group Company. This investment is accounted for using the equity method. On February 14, 2016, AMES Australia acquired substantially all of the Intellectual Property (IP) assets of Australia-based Nylex Plastics Pty Ltd. for $1,744. Previously, the Nylex name was licensed.

Cash provided by financing activities in 2016 totaled $8,888 compared to a use of $44,851 in the prior year. The current year included net proceeds from debt of $87,322, partially offset by $65,307 for the repurchase of common stock and $8,798 for the payment of dividends. On May 18, 2016, Griffon completed an add-on offering of $125,000 principal amount of its 5.25% Senior Notes due 2022, at 98.76% of par, to Griffon's previously issued $600,000 principal amount of its 5.25% Senior Notes due 2022, at par. The net proceeds were used to pay down outstanding borrowings on the Revolving Credit Facility. In 2015, financing activity usage primarily consisted of $82,343 for the repurchase of common stock and $7,654 for the payment of dividends, partially offset by net proceeds from debt of $45,391.

During 2016, the Board of Directors approved four quarterly cash dividends each for $0.05 per share. On November 16, 2016, the Board of Directors declared a cash dividend of $0.06 per share, payable on December 22, 2016 to shareholders of record as of the close of business on December 5, 2016.

In each of March 2015, July 2015, and August 2016, Griffon's Board of Directors authorized the repurchase of up to $50,000 of Griffon's outstanding common stock. Under these programs, the Company may purchase shares in the open market, including pursuant to a 10b5-1 plan, or in a privately negotiated transaction. During 2016, Griffon purchased an aggregate of 3,549,077 shares of common stock under both the March 2015 and July 2015 programs, for a total of $56,288 or $15.86 per share. At September 30, 2016, $51,637 remains under the July 2015 and August 2016 Board authorized repurchase programs.

In addition to the repurchases under Board authorized programs, during 2016, 510,843 shares, with a market value of $8,788, or $17.20 per share, were withheld to settle employee taxes due upon the vesting of restricted stock.

Payments related to Telephonics revenue are received in accordance with the terms of development and production subcontracts; certain of such receipts are progress or performance based payments. PPC customers are generally substantial industrial companies whose payments have been steady, reliable and made in accordance with the terms governing such sales. PPC sales satisfy orders that are received in advance of production; payment terms are established in advance. With respect to HBP, uncollected receivables have been immaterial in amount.

A small number of customers account for, and are expected to continue to account for, a substantial portion of Griffon's consolidated revenue. In 2016:

a. The U.S. Government and its agencies, through prime and subcontractor relationships, represented 16% of Griffon's consolidated revenue and 70% of Telephonics' revenue.

b. P&G represented 13% of Griffon's consolidated revenue and 51% of PPC revenue.

c. Home Depot represented 13% of Griffon's consolidated revenue and 24% of HBP's revenue.

No other customer exceeded 10% of consolidated revenue. Future operating results will continue to substantially depend on the success of Griffon's largest customers and our relationships with them. Orders from these customers are subject to change and may fluctuate materially. The loss of all or a portion of volume from any one of these customers could have a material adverse impact on Griffon's liquidity and operations.

At September 30, 2016, Griffon had debt, net of cash and equivalents, as follows:

	At September 30, 2016	At September 30, 2015
	(in thousands)	
Cash and Equivalents and Debt		
Cash and equivalents	$ 72,553	$ 52,001
Notes payables and current portion of long-term debt	22,644	16,593
Long-term debt, net of current maturities	913,914	826,976
Debt discount and issuance costs	16,298	17,630
Total debt	952,856	861,199
Debt, net of cash and equivalents	**$880,303**	**$809,198**

On May 18, 2016, in an unregistered offering through a private placement under Rule 144A, Griffon completed the add-on offering of $125,000 principal amount of its 5.25% senior notes due 2022, at 98.76% of par, to Griffon's previous issuance of $600,000 5.25% senior notes due in 2022, at par, which was completed on February 27, 2014 (collectively the "Senior Notes"). As of May 18, 2016, outstanding Senior Notes due totaled $725,000; interest is payable semi-annually on March 1 and September 1. The net proceeds of the add-on offering were used to pay down outstanding borrowings under Griffon's Revolving Credit Facility (the "Credit Agreement").

Proceeds from the $600,000 5.25% senior notes due in 2022 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 in 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 July 20, 2016 and June 18, 2014, Griffon exchanged all of the $125,000 and $600,000 Senior Notes, respectively, for substantially identical Senior Notes registered under the Securities Act of 1933 via an exchange offer. The fair value of the Senior Notes approximated $725,000 on September 30, 2016 based upon quoted market prices (level 1 inputs).

In connection with the issuance and exchange of the $125,000 senior notes, Griffon capitalized $3,016 of underwriting fees and other expenses, which will amortize over the term of such notes; Griffon capitalized $10,313 in connection with the previously issued $600,000 senior notes. Furthermore, in connection with the issuance of the previously issued $600,000 senior 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 22, 2016, Griffon amended the Credit Agreement to increase the credit facility from $250,000 to $350,000, extend its maturity from March 13, 2020 to March 22, 2021, and modify certain other provisions of the facility. The facility includes a letter of credit sub-facility with a limit of $50,000 and a multi-currency sub-facility of $50,000. The Credit Agreement provides for same day borrowings of base rate loans. 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 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 1.25% for base rate loans and 2.25% 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 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). At September 30, 2016, there were no outstanding borrowings and standby letters of credit were $16,275 under the Credit Agreement; $333,725 was available, subject to certain loan covenants, for borrowing at that date.

On December 21, 2009, Griffon issued $100,000 principal of 4% convertible subordinated notes due 2017 (the "2017 Notes"). As of September 30, 2016, the current conversion rate of the 2017 Notes was 70.1632 shares of Griffon's common stock per $1 principal amount of notes, corresponding to a conversion price of $14.25 per share. Since July 15, 2016, any holder has had the option to convert such holder's notes. Under the terms of the 2017 Notes, Griffon has the right to settle the conversion of the 2017 Notes in cash, stock or a combination of cash and stock. On July 14, 2016, Griffon announced that it will settle, upon conversion, up to $125,000 of the conversion value of the 2017 Notes in cash, with amounts in excess of $125,000, if any, to be settled in shares of Griffon common stock. At both September 30, 2016 and 2015, 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 $121,563 on September 30, 2016 based upon quoted market prices (level 1 inputs). These notes are classified as long term debt as Griffon has the intent and ability to refinance the principal amount of the notes, including with borrowings under the Credit Agreement. On November 14, 2016, Griffon adjusted the conversion rate of the 2017 Notes to 70.5867 shares of Griffon's common stock per $1 principal amount of notes, corresponding to a conversion price of $14.17 per share. This adjustment was made as a result of dividends paid the last two quarters; Griffon was not required to give effect to this adjustment prior to November 14, 2016 (the forty-second trading day prior to maturity), because the cumulative increase since the prior time the conversion rate was adjusted was less than 1%. The conversion rate will be further adjusted for any dividends declared after November 14, 2016 for which the ex-dividend date is prior to maturity.

In September 2015 and March 2016, Griffon entered into mortgage loans in the amounts of $32,280 and $8,000, respectively. The mortgage loans are secured by four properties occupied by Griffon's subsidiaries. The loans mature in September 2025, and April 2018, respectively, are collateralized by the specific properties financed and are guaranteed by Griffon. The loans bear interest at a rate of LIBOR plus 1.50%. At September 30, 2016, $37,266 was outstanding, net of issuance costs.

In August 2016, Griffon's ESOP entered into an agreement that refinanced the existing ESOP loan into a new Term Loan in the amount of $35,092 (the "Agreement"). The Agreement also provided for a Line Note with $10,908 available to purchase shares of Griffon common stock in the open market. The availability period for the Line Note runs through August 2017 at which point the outstanding balance under the Line Note will be combined with the Term Loan. The Term Loan and Line Note bear interest at LIBOR plus 2.50%. The Term Loan requires quarterly principal payments of $655 through September 30, 2016 and $569 thereafter, with a balloon payment due at maturity on March 22, 2020. 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. As of September 30, 2016, $34,150, net of issuance costs, was outstanding under the Term Loan. Subsequent to September 30, 2016 and through November 11, 2016, Griffon's ESOP purchased 548,912 shares of common stock for a total of $9,213 or $16.78 per share. The remaining amount available on the authorization is $1,695.

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. As of September 30, 2016, $6,316 was outstanding, net of issuance costs.

In September 2015, Clopay Europe GmbH ("Clopay Europe") entered into a EUR 5,000 ($5,612 as of September 30, 2016) revolving credit facility and a EUR 15,000 term loan. The term loan is payable in twelve quarterly installments of EUR 1,250, bears interest at a fixed rate of 2.5% and matures in September 2018. The revolving facility matures in September 2017, but is renewable upon mutual agreement with the bank. The revolving credit facility accrues interest at EURIBOR plus 1.75% per annum (1.75% at September 30, 2016). The revolver and the term loan are both secured by substantially all of the assets of Clopay Europe and its subsidiaries. Griffon guarantees the revolving facility and term loan. The term loan had an outstanding balance of EUR 10,000 ($11,223 at September 30, 2016) and the revolver had no borrowings outstanding at September 30, 2016. Clopay Europe is required to maintain a certain minimum equity to assets ratio and is subject to a maximum debt leverage ratio (defined as the ratio of total debt to EBITDA).

Clopay do Brasil maintains lines of credit of approximately R$12,800 ($3,944 as of September 30, 2016). Interest on borrowings accrues at a rate of Brazilian CDI plus 6.0% (20.13% at September 30, 2016). As of September 30, 2016, there was approximately R$7,147 ($2,202 as of September 30, 2016) borrowed under the lines. PPC guarantees the loan and lines.

In November 2012, Garant G.P. ("Garant") entered into a CAD 15,000 ($11,457 as of September 30, 2016) revolving credit facility. The facility accrues interest at LIBOR (USD) or the Bankers Acceptance Rate (CDN) plus 1.3% per annum (2.13% LIBOR USD and 2.12% Bankers Acceptance Rate CDN as of September 30, 2016). The revolving facility matures in October 2019. Garant is required to maintain a certain minimum equity. As of September 30, 2016, there were CAD 5,090 ($3,888 as of September 30, 2016) borrowed under the revolving credit facility with CAD 9,910 ($7,569 as of September 30, 2016) available for borrowing.

In July 2016, Griffon Australia and its Australian subsidiaries entered into an AUD 30,000 term loan and an AUD 10,000 revolver. The term loan refinanced two existing term loans and the revolver replaced two existing lines. The term loan requires quarterly principal payments of AUD 750 plus interest with a balloon payment of AUD 21,000 due upon maturity in June 2019, and accrues interest at Bank Bill Swap Bid Rate "BBSY" plus 2.25% per annum (4.20% at September 30, 2016). As of September 30, 2016, the term had an outstanding balance of AUD 29,250 ($22,446 as of September 30, 2016) on the term loans, net of issuance costs. The revolving facility matures in June 2017 but is renewable upon mutual agreement with the bank, and accrues interest at BBSY plus 2.0% per annum (3.67% at September 30, 2016). The revolver had an outstanding balance of AUD 7,000 ($5,372 at September 30, 2016). The revolver and the term loan are both secured by substantially all of the assets of Griffon Australia and its subsidiaries. Griffon guarantees the term loan. Griffon Australia is required to maintain a certain minimum equity level and is subject to a maximum leverage ratio and a minimum fixed charges cover ratio.

Other long-term debt primarily consists of a loan with the Pennsylvania Industrial Development Authority with the balance consisting of capital leases.

At September 30, 2016, Griffon and its subsidiaries were in compliance with the terms and covenants of its credit and loan agreements.

In each of August 2011, May 2014, March 2015, July 2015, and August 2016, Griffon's Board of Directors authorized the repurchase of up to $50,000 of Griffon's outstanding common stock. Under these programs, the Company may purchase shares in the open market, including pursuant to a 10b5-1 plan, or in privately negotiated transactions. During 2016, Griffon purchased an aggregate of 3,549,077 shares of common stock under both the March 2015 and July 2015 programs, for a total of $56,288 or $15.86 per share. From August 2011 through September 30, 2016, Griffon repurchased 20,300,298 shares of its common stock, for a total of $259,420 or $12.78 per share (which repurchases included exhausting the remaining availability under a Board authorized repurchase program in existence prior to 2011). This included the repurchase of 15,855,854 shares on the open market, as well as the December 10, 2013 repurchase of 4,444,444 shares from GS Direct for $50,000, or $11.25 per share. At September 30, 2016, $51,637 in the aggregate remains under the July 2015 and August 2016 Board authorized repurchase programs.

On December 10, 2013, Griffon repurchased 4,444,444 shares of its common stock for $50,000 from GS Direct. 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. The transaction was exclusive of the Company's August 2011 $50,000 authorized share repurchase program. GS Direct continues to hold approximately 5.6 million shares 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, 2017, it will first negotiate in good faith to sell such shares to the Company.

In addition to the repurchases under Board authorized programs, during 2016, 510,843 shares, with a market value of $8,788, or $17.20 per share, were withheld to settle employee taxes due upon the vesting of restricted stock.

During 2016, 2015 and 2014, the Company declared and paid dividends totaling $0.20 per share, $0.16 per share and $0.12 per share, respectively. The Company currently intends to pay dividends each quarter; however, payment of dividends is determined by the Board of Directors at its discretion based on various factors, and no assurance can be provided as to the payment of future dividends.

On November 16, 2016, the Board of Directors declared a cash dividend of $0.06 per share, payable on December 22, 2016 to shareholders of record as of the close of business on December 5, 2016.

During the year ended September 30, 2016, Griffon used cash for discontinued operations of $1,554, primarily related to settling certain Installation Services and environmental liabilities.

Contractual Obligations

At September 30, 2016, payments to be made pursuant to significant contractual obligations are as follows:

	Payments Due by Period					
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Other
	(in thousands)					
Long-term debt[a]	$ 952,856	$ 22,644	$ 45,312	$138,852	$746,048	$ —
Interest expense	263,487	47,447	91,771	84,443	39,826	—
Rental commitments	106,142	24,914	44,255	23,163	13,810	—
Purchase obligations[b]	218,058	213,674	4,382	2	—	—
Capital expenditures	6,238	6,238	—	—	—	—
Supplemental & post-retirement benefits[c]	31,916	4,060	7,851	7,078	12,927	—
Uncertain tax positions[d]	1,552	—	—	—	—	1,552
Total obligations	$1,580,249	$318,977	$193,571	$253,538	$812,611	$1,552

(a) Included in long-term debt are capital leases of: $1,566 (less than 1 year), $3,013 (1-3 years), $3,036 (3-5 years) and $276 (more than 5 years).

(b) Purchase obligations are generally for the purchase of goods and services in the ordinary course of business. Griffon uses blanket purchase orders to communicate expected requirements to certain vendors. Purchase obligations reflect those purchase orders where the commitment is considered to be firm. Purchase obligations that extend beyond 2016 are principally related to long-term contracts received from customers of Telephonics.

(c) Griffon funds required payouts under its non-qualified supplemental defined benefit plan from its general assets and the expected payments are included in each period, as applicable.

(d) Due to the uncertainty of the potential settlement of future uncertain tax positions, management is unable to estimate the timing of related payments, if any, that will be made subsequent to 2016. These amounts do not include any potential indirect benefits resulting from deductions or credits for payments made to other jurisdictions.

Off-Balance Sheet Arrangements

Except for operating leases and purchase obligations as disclosed herein, Griffon is not a party to any off-balance sheet arrangements.

Off-Set Agreements

Telephonics may enter into industrial cooperation agreements, sometimes referred to as offset agreements, as a condition to obtaining orders for its products and services from customers in foreign countries. These agreements promote investment in the country, and may be satisfied through activities that do not require Griffon to use its cash, including transferring technology, providing manufacturing and other consulting support. These agreements may also be satisfied through the use of cash for such activities as purchasing supplies from in-country vendors, setting up support centers, research and development investments, acquisitions, and building or leasing facilities for in-country operations, if applicable. The amount of the offset requirement is determined by contract value awarded and negotiated percentages with customers. At September 30, 2016, Telephonics had outstanding offset agreements approximating $61,000, primarily related to its Radar Systems division, some of which extend through 2029. Offset programs usually extend over several years and in some cases provide for penalties in the event Telephonics fails to perform in accordance with contract requirements.

Historically, Telephonics has not been required to pay any such penalties and as of September 30, 2016, no such penalties are estimable or probable.

ACCOUNTING POLICIES AND PRONOUNCEMENTS

Critical Accounting Policies

The preparation of Griffon's consolidated financial statements in conformity with accounting principles generally accepted in the U.S. of America ("GAAP") requires the use of estimates, assumptions, judgments and subjective interpretations of accounting principles that have an impact on assets, liabilities, revenue and expenses. These estimates can also affect supplemental information contained in public disclosures of Griffon, including information regarding contingencies, risk and its financial condition. These estimates, assumptions and judgments are evaluated on an ongoing basis and based on historical experience, current conditions and various other assumptions, and form the basis for estimating the carrying values of assets and liabilities, as well as identifying and assessing the accounting treatment for commitments and contingencies. Actual results may materially differ from these estimates.

An estimate is considered to be critical if it is subjective and if changes in the estimate using different assumptions would result in a material impact on Griffon's financial position or results of operations. The following have been identified as the most critical accounting policies and estimates:

Revenue Recognition

Revenue is recognized when the following circumstances are satisfied: a) persuasive evidence of an arrangement exists, b) delivery has occurred, title has transferred or services are rendered, c) price is fixed and determinable and d) collectability is reasonably assured. Goods are sold on terms that transfer title and risk of loss at a specified location. Revenue recognition from product sales occurs when all factors are met, including transfer of title and risk of loss, which occurs either upon shipment or upon receipt by customers at the location specified in the terms of sale. Other than standard product warranty provisions, sales arrangements provide for no other significant post-shipment obligations. From time to time and for certain customers, rebates and other sales incentives, promotional allowances or discounts are offered, typically related to customer purchase volumes, all of which are fixed or determinable and are classified as a reduction of revenue and recorded at the time of sale. Griffon provides for sales returns allowances based upon historical returns experience.

Telephonics earns a substantial portion of its revenue as either a prime or subcontractor from contract awards with the U.S. Government, as well as non-U.S. governments and other commercial customers. These formal contracts are typically long-term in nature, usually greater than one year. Revenue and profits from these long-term fixed price contracts are recognized under the percentage-of-completion method of accounting. Revenue and profits on fixed-price contracts that contain engineering as well as production requirements are recorded based on the ratio of total actual incurred costs to date to the total estimated costs for each contract (cost-to-cost method). Using the cost-to-cost method, revenue is recorded at amounts equal to the ratio of actual cumulative costs incurred divided by total estimated costs at completion, multiplied by the total estimated contract revenue, less the cumulative revenue recognized in prior periods. The profit recorded on a contract using this method is equal to the current estimated total profit margin multiplied by the cumulative revenue recognized, less the amount of cumulative profit previously recorded for the contract in prior periods. As this method relies on the substantial use of estimates, these projections may be revised throughout the life of a contract. Components of this formula and ratio that may be estimated include gross profit margin and total costs at completion. The cost performance and estimates to complete on long-term contracts are reviewed, at a minimum, on a quarterly basis, as well as when information becomes available that would necessitate a review of the current estimate. Adjustments to estimates for a contract's estimated costs at completion and estimated profit or loss often are required as experience is gained, and as more information is obtained, even though the scope of work required under the contract may or may not change, or if contract modifications occur. The impact of such adjustments or changes to estimates is made on a cumulative basis in the period when such information has become known. In 2016, 2015 and 2014, income from operations included net favorable/(unfavorable) catch-up adjustments approximating $(700), $(400) and $(400), respectively. Gross profit is affected by a variety of factors, including the mix of products, systems and services, production efficiencies, price competition and general economic conditions.

Revenue and profits on cost-reimbursable type contracts are recognized as allowable costs are incurred on the contract at an amount equal to the allowable costs plus the estimated profit on those costs. The estimated profit on a cost-reimbursable contract may be fixed or variable based on the contractual fee arrangement. Incentive and award fees on these contracts are recorded as revenue when the criteria under which they are earned are reasonably assured of being met and can be estimated.

For contracts whose anticipated total costs exceed total expected revenue, an estimated loss is recognized in the period when identifiable. A provision for the entire amount of the estimated loss is recorded on a cumulative basis. The estimated remaining costs to complete loss contracts, as of September 30, 2016 was $4,700 and is recorded as a reduction to gross margin on the Consolidated Statements of Operations and Comprehensive Income (Loss). This loss had an immaterial impact to Griffon's Consolidated Financial Statements.

Amounts representing contract change orders or claims are included in revenue only when they can be reliably estimated and their realization is probable, and are determined on a percentage-of-completion basis measured by the cost-to-cost method.

From time to time, Telephonics may combine contracts if they are negotiated together, have specific requirements to combine, or are otherwise closely related. Contracts are segmented based on customer requirements.

Inventories

Inventories, stated at the lower of cost (first-in, first-out or average) or market, include material, labor and manufacturing overhead costs.

Griffon's businesses typically do not require inventory that is susceptible to becoming obsolete or dated. In general, Telephonics sells products in connection with programs authorized and approved under contracts awarded by the U.S. Government or agencies thereof, and in accordance with customer specifications. PPC primarily produces fabricated materials used by customers in the production of their products and these materials are produced against orders from those customers. HBP produces doors and long-handled tools and landscaping products in response to orders from customers of retailers and dealers or based on expected orders, as applicable.

Warranty Accruals

Direct customer and end-user warranties are provided on certain products. These warranties cover manufacturing defects that would prevent the product from performing in line with its intended and marketed use. The terms of such warranties vary by product line and generally provide for the repair or replacement of the defective product. Warranty claims data is collected and analyzed with a focus on the historical amount of claims, the products involved, the amount of time between the warranty claims and the products' respective sales and the amount of current sales. Based on such analysis, warranty accruals are recorded as an increase to cost of sales and regularly reviewed for adequacy.

Stock-based Compensation

Griffon has issued stock-based compensation to certain employees, officers and directors in the form of restricted stock and restricted stock units.

Compensation expense for restricted stock and restricted stock units is recognized ratably over the required service period based on the fair value of the grant, calculated as the number of shares or units granted multiplied by the stock price on the date of grant, and for performance shares or units, the likelihood of achieving the performance criteria. The Company recognizes forfeitures as they occur.

Allowances for Discount, Doubtful Account and Returns

Trade receivables are recorded at their stated amount, less allowances for discounts, doubtful accounts and returns. The allowances represent estimated uncollectible receivables associated with potential customer defaults on contractual obligations (usually due to customers' potential insolvency), discounts related to early payment of accounts receivables by customers and estimates for returns. The allowance for doubtful accounts includes amounts for certain customers in which a risk of default has been specifically identified, as well as an amount for customer defaults, based on a formula, when it is determined the risk of some default is probable and estimable, but cannot yet be associated with specific customers. Allowance for discounts and returns are recorded as a reduction of revenue and the provision related to the allowance for doubtful accounts is recorded in SG&A expenses.

Acquisitions

Acquired businesses are accounted for using the acquisition method of accounting which requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date and that the fair value of acquired in-process research and development be recorded on the balance sheet. Related transaction costs are expensed as incurred. Any excess of the purchase price over the assigned values of the net assets acquired is recorded as goodwill.

Goodwill, Long-Lived Intangible and Tangible Assets, and Impairment

Griffon has significant intangible and tangible long-lived assets on its balance sheet that includes goodwill and other intangible assets related to acquisitions. Goodwill represents the excess of the cost of net assets acquired in business combinations over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. As required under GAAP, goodwill and indefinite-lived intangibles are reviewed for impairment annually, for Griffon as of September 30, or more frequently whenever events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount, using discounted future cash flows for each reporting unit. The testing of goodwill and indefinite-lived intangibles for impairment involves significant use of judgment and assumptions in the determination of a reporting unit's fair market value. Based upon the results of the annual impairment review, it was determined that the fair value of each reporting unit substantially exceeded the carrying value of the assets, and no impairment existed as of September 30, 2016.

Long-lived amortizable intangible assets, such as customer relationships and software, and tangible assets, primarily Property, plant and equipment, are amortized over their expected useful lives, which involve significant assumptions and estimates. Long-lived intangible and tangible assets are tested for impairment by comparing estimated future undiscounted cash flows to the carrying value of the asset when an impairment indicator, such as change in business, customer loss or obsolete technology, exists.

Fair value estimates are based on assumptions believed to be reasonable at the time, but such assumptions are subject to inherent uncertainty. Actual results may differ materially from those estimates. Any changes in key assumptions or management judgment with respect to a reporting unit or its prospects, which may result from a decline in Griffon's stock price, a change in market conditions, market trends, interest rates or other factors outside of Griffon's control, or significant under-performance relative to historical or projected future operating results, could result in a significantly different estimate of the fair value of Griffon's reporting units, which could result in an impairment charge in the future.

Restructuring Reserves

From time to time, Griffon will establish restructuring reserves at an operation. These reserves, for both termination and other exit costs, require the use of estimates. Though Griffon believes the estimates made are reasonable, they could differ materially from the actual costs.

Income Taxes

Griffon's effective tax rate is based on income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which Griffon operates. For interim financial reporting, the annual tax rate is estimated based on projected taxable income for the full year, and a quarterly income tax provision is recorded in accordance with the anticipated annual rate. As the year progresses, the annual tax rate is refined as new information becomes available, including year-to-date financial results. This process often results in changes to the effective tax rate throughout the year. Significant judgment is required in determining the effective tax rate and in evaluating tax positions.

Deferred tax assets and liabilities are recognized based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets represent items to be used as a tax deduction or credit in future tax returns for which a tax benefit has been recorded in the income statement. The Company assesses whether a valuation allowance should be established against its deferred tax assets based on consideration of all available evidence, both positive and negative, using a more likely than not standard. This assessment considers, among other matters, the nature, frequency and severity of recent losses; a forecast of future profitability; the duration of statutory carryback and carryforward periods; the Company's experience with tax attributes expiring unused; and tax planning alternatives. The likelihood that the deferred tax asset balance will be recovered from future taxable income is assessed at least quarterly, and the valuation allowance, if any, is adjusted accordingly.

Tax benefits are recognized for an uncertain tax position when, in management's judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, the tax benefit is measured as the largest amount that is judged to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. The liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments and new or emerging legislation. Such adjustments are recognized in the period in which they are identified. The effective tax rate includes the net impact of changes in the liability for unrecognized tax benefits and subsequent adjustments as considered appropriate by management. A number of years may elapse before a particular matter for which Griffon has recorded a liability related to an unrecognized tax benefit is audited and finally resolved. The number of years with open tax audits varies by jurisdiction. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, Griffon believes its liability for unrecognized tax benefits is adequate. Favorable resolution of an unrecognized tax benefit could be recognized as a reduction in Griffon's tax provision and effective tax rate in the period of resolution. Unfavorable settlement of an unrecognized tax benefit could increase the tax provision and effective tax rate and may require the use of cash in the period of resolution. The liability for unrecognized tax benefits is generally presented as non-current. However, if it is anticipated that a cash settlement will occur within one year, that portion of the liability is presented as current. Interest and penalties recognized on the liability for unrecognized tax benefits is recorded as income tax expense.

Pension Benefits

Griffon sponsors defined and supplemental benefit pension plans for certain active and retired employees. Annual amounts relating to these plans are recorded based on actuarial projections, which include various actuarial assumptions, including discount rates, assumed rates of return, compensation increases and turnover rates. The actuarial assumptions used to determine pension liabilities, assets and expense are reviewed annually and modified based on current economic conditions and trends. The expected return on plan assets is determined based on the nature of the plans' investments and expectations for long-term rates of return. The discount rate used to measure obligations is based on a corporate bond spot-rate yield curve that matches projected future benefit payments, with the appropriate spot rate applicable to the timing of the projected future benefit payments. Assumptions used in determining Griffon's obligations under the defined benefit pension plans are believed to be reasonable, based on experience and advice from independent actuaries; however, differences in actual experience or changes in the assumptions may materially affect Griffon's financial position or results of operations.

All of the defined benefit plans are frozen and have ceased accruing benefits.

Newly issued but not yet effective accounting pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued guidance on the Statement of Cash Flows Classification of certain cash receipts and cash payments (a consensus of the FASB Emerging Issues Task Force). This guidance addresses the following eight specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. This guidance will be effective for the Company beginning in fiscal 2019. We are currently evaluating the impact of the guidance on the Company's financial condition, results of operations and related disclosures.

In February 2016, the FASB issued guidance on lease accounting requiring lessees to recognize a right-of-use asset and a lease liability for long-term leases. The liability will be equal to the present value of lease payments. This guidance must be applied using a modified retrospective transition approach to all annual and interim periods presented and is effective for the company beginning in fiscal 2019. We 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 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 2019; early adoption is permitted beginning in 2018. 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. The FASB has also issued the following additional guidance clarifying certain issues on revenue from contracts with customers; Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients and Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing. The Company is currently evaluating this guidance to determine the impact it will have on its consolidated financial statements.

Recently adopted accounting pronouncements

In March 2016, the FASB issued guidance on Stock Compensation: Improvements to Employee Share-Based Payment Accounting. The guidance changes how companies account for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as the classification of related matters in the statement of cash flows. The amendments are effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2016 using either prospective, retrospective or modified retrospective transition method, depending on the area covered in this update. The Company early adopted this guidance for fiscal 2016 in order to simplify the accounting for employee share-based payments.

Under this guidance all excess tax benefits ("windfalls") and deficiencies ("shortfalls") related to employee stock compensation was recognized within income tax expense for the year ended September 30, 2016. Under prior guidance, windfalls were recognized to Capital in excess of par value and shortfalls were only recognized to the extent they exceed the pool of windfall tax benefits. As a result of the adoption, a tax benefit of $2,193 was recognized within income tax expense reflecting the excess tax benefits for the year ended September 30, 2016. The adoption was on a prospective basis and therefore had no impact on prior years. Additionally, income tax benefits at settlement of an award were previously reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award's vesting period. Griffon has elected to apply that change in cash flow classification on a prospective basis, which has resulted in a $2,271 increase to net cash provided by operating activities and a corresponding decrease to net cash used in financing activities in the accompanying Consolidated Statement of Cash Flows for the year ended September 30, 2016, as compared to the amounts previously reported. The remaining provisions of this accounting standard did not have a material impact on the accompanying condensed consolidated financial statements.

In November 2015, the FASB issued guidance on simplifying the presentation of deferred income taxes, requiring deferred income tax liabilities and assets to be classified as non-current in the statement of financial position. The guidance is effective for annual and interim reporting periods within those annual periods beginning after December 15, 2016 and may be applied retrospectively or prospectively. The Company early adopted this guidance in fiscal 2016 in order to simplify balance sheet presentation and applied it retrospectively for all periods presented in the financial statements. Accordingly, we reclassified current deferred taxes to non-current on the Consolidated Balance Sheet as of September 30, 2015 resulting in a decrease to both non-current deferred tax assets and non-current tax liabilities of $3,793 and $14,827, respectively.

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rates

Griffon's exposure to market risk for changes in interest rates relates primarily to variable interest rate debt and investments in cash and equivalents.

The revolving credit facility and certain other of Griffon's credit facilities have a LIBOR- and EURIBOR- based variable interest rate. Due to the current and expected level of borrowings under these facilities, a 100 basis point change in LIBOR or EURIBOR would not have a material impact on Griffon's results of operations or liquidity.

Foreign Exchange

Griffon conducts business in various non-U.S. countries, primarily in Germany, Canada, Brazil, Australia, and China; therefore, changes in the value of the currencies of these countries affect the financial position and cash flows when translated into U.S. Dollars. Griffon has generally accepted the exposure to exchange rate movements relative to its non-U.S. operations. Griffon may, from time to time, hedge its currency risk exposures. A change of 10% or less in the value of all applicable foreign currencies would not have a material effect on Griffon's financial position and cash flows.

Item 8. *Financial Statements and Supplementary Data*

The financial statements of Griffon and its subsidiaries and the report thereon of Grant Thornton LLP are included herein:

- ☐ Report of Independent Registered Public Accounting Firm.
- ☐ Consolidated Balance Sheets at September 30, 2016 and 2015.
- ☐ Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended September 30, 2016, 2015 and 2014.
- ☐ Consolidated Statements of Cash Flows for the years ended September 30, 2016, 2015 and 2014.
- ☐ Consolidated Statements of Shareholders' Equity for the years ended September 30, 2016, 2015 and 2014.
- ☐ Notes to Consolidated Financial Statements.
- ☐ Schedule II—Valuation and Qualifying Account.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Griffon Corporation

We have audited the accompanying consolidated balance sheets of Griffon Corporation (a Delaware corporation) and subsidiaries (the "Company") as of September 30, 2016 and 2015, and the related consolidated statements of operations and comprehensive income(loss), shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2016. We also have audited the Company's internal control over financial reporting as of September 30, 2016, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). The Company's management is responsible for these financial statements, financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements, financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Griffon Corporation and subsidiaries as of September 30, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein. In addition, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

/s/ GRANT THORNTON LLP
New York, New York
November 17, 2016

GRIFFON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	At September 30, 2016	At September 30, 2015
CURRENT ASSETS		
Cash and equivalents	$ 72,553	$ 52,001
Accounts receivable, net of allowances of $6,425 and $5,342	233,751	218,755
Contract costs and recognized income not yet billed, net of progress payments of $8,001 and $16,467	126,961	103,895
Inventories, net	308,869	325,809
Prepaid and other current assets	38,605	40,258
Assets of discontinued operations	219	236
Total Current Assets	780,958	740,954
PROPERTY, PLANT AND EQUIPMENT, net	405,404	379,972
GOODWILL	361,185	356,241
INTANGIBLE ASSETS, net	210,599	213,837
OTHER ASSETS	21,982	18,554
ASSETS OF DISCONTINUED OPERATIONS	1,968	3,255
Total Assets	$1,782,096	$1,712,813
CURRENT LIABILITIES		
Notes payable and current portion of long-term debt	$ 22,644	$ 16,593
Accounts payable	190,341	199,811
Accrued liabilities	103,594	101,204
Liabilities of discontinued operations	1,684	2,229
Total Current Liabilities	318,263	319,837
LONG-TERM DEBT, net	913,914	826,976
OTHER LIABILITIES	137,266	132,096
LIABILITIES OF DISCONTINUED OPERATIONS	1,706	3,379
Total Liabilities	1,371,149	1,282,288
COMMITMENTS AND CONTINGENCIES – See Note 14		
SHAREHOLDERS' EQUITY		
Preferred stock, par value $0.25 per share, authorized 3,000 shares, no shares issued	—	—
Common stock, par value $0.25 per share, authorized 85,000 shares, issued 79,966 shares and 79,080 shares	19,992	19,770
Capital in excess of par value	529,980	518,485
Retained earnings	475,760	454,548
Treasury shares, at cost, 34,797 common shares and 30,737 common shares	(501,866)	(436,559)
Accumulated other comprehensive loss	(81,241)	(91,188)
Deferred compensation	(31,678)	(34,531)
Total Shareholders' Equity	410,947	430,525
Total Liabilities and Shareholders' Equity	$1,782,096	$1,712,813

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

GRIFFON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(in thousands, except per share data)

	Years Ended September 30, 2016	2015	2014
Revenue	$1,957,161	$2,016,032	$1,991,811
Cost of goods and services	1,483,727	1,540,254	1,532,412
Gross profit	473,434	475,778	459,399
Selling, general and administrative expenses	364,027	374,761	375,099
Restructuring and other related charges	5,900	—	6,136
Total operating expenses	369,927	374,761	381,235
Income from operations	103,507	101,017	78,164
Other income (expense)			
Interest expense	(51,254)	(48,173)	(48,447)
Interest income	143	301	303
Loss from debt extinguishment	—	—	(38,890)
Other, net	768	491	3,154
Total other income (expense)	(50,343)	(47,381)	(83,880)
Income (loss) before taxes	53,164	53,636	(5,716)
Provision (benefit) for income taxes	23,154	19,347	(5,539)
Net income (loss)	$ 30,010	$ 34,289	$ (177)
Basic earnings per common share	$ 0.73	$ 0.77	$ —
Weighted-average shares outstanding	41,074	44,608	49,367
Diluted earnings per common share	$ 0.68	$ 0.73	$ —
Weighted-average shares outstanding	44,109	46,939	49,367
Net income (loss)	$ 30,010	$ 34,289	$ (177)
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	17,284	(56,358)	(23,933)
Pension and other post-retirement plans	(5,651)	(4,326)	(3,914)
Change in available-for-sale securities	—	(870)	870
Gain (loss) on cash flow hedge	(1,686)	430	252
Total other comprehensive income (loss), net of taxes	9,947	(61,124)	(26,725)
Comprehensive income (loss), net	$ 39,957	$ (26,835)	$ (26,902)

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

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

	Years Ended September 30,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 30,010	$ 34,289	$ (177)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	70,208	69,800	67,396
Stock-based compensation	10,136	11,110	11,473
Asset impairment charges - restructuring	—	—	191
Provision for losses on accounts receivable	338	84	359
Amortization of deferred financing costs and debt discounts	7,415	6,982	6,427
Loss from debt extinguishment	—	—	38,890
Deferred income tax (benefit)	8,082	2,132	(5,131)
(Gain) loss on sale/disposal of assets and investments	(350)	(342)	244
Change in assets and liabilities, net of assets and liabilities acquired:			
(Increase) decrease in accounts receivable and contract costs and recognized income not yet billed	(34,296)	32,150	6,009
(Increase) decrease in inventories	20,533	(48,356)	(50,461)
Increase in prepaid and other assets	(19,091)	(5,022)	(4,278)
Increase (decrease) in accounts payable, accrued liabilities and income taxes payable	8,950	(27,250)	21,304
Other changes, net	4,002	560	1,055
Net cash provided by operating activities	105,937	76,137	93,301
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment	(90,759)	(73,620)	(77,094)
Acquired business, net of cash acquired	(4,470)	(2,225)	(62,306)
Investment sales (purchases)	715	8,891	(8,402)
Proceeds from sale of property, plant and equipment	909	334	552
Net cash used in investing activities	(93,605)	(66,620)	(147,250)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	—	371	584
Dividends paid	(8,798)	(7,654)	(6,273)
Purchase of shares for treasury	(65,307)	(82,343)	(79,614)
Proceeds from long-term debt	302,362	233,491	691,943
Payments of long-term debt	(214,986)	(187,735)	(603,094)
Change in short-term borrowings	(54)	(365)	(749)
Financing costs	(4,384)	(1,308)	(11,298)
Purchase of ESOP shares	—	—	(20,000)
Tax effect from exercise/vesting of equity awards, net	—	345	273
Other, net	55	347	298
Net cash provided by (used) in financing activities	8,888	(44,851)	(27,930)
CASH FLOWS FROM DISCONTINUED OPERATIONS:			
Net cash used in operating activities	(1,554)	(918)	(1,528)
Net cash used in discontinued operations	(1,554)	(918)	(1,528)
Effect of exchange rate changes on cash and equivalents	886	(4,152)	(2,318)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	20,552	(40,404)	(85,725)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	52,001	92,405	178,130
CASH AND EQUIVALENTS AT END OF PERIOD	$ 72,553	$ 52,001	$ 92,405
Supplemental Disclosure of Cash Flow Information:			
Cash paid for interest	$ 44,305	$ 41,580	$ 60,246
Cash paid for taxes	3,431	16,446	9,626

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

GRIFFON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

	Common Stock		Capital in		Treasury Shares		Accumulated Other		
(in thousands)	**Shares**	**Par Value**	**Excess of Par Value**	**Retained Earnings**	**Shares**	**Cost**	**Comprehensive Income (Loss)**	**Deferred Compensation**	**Total**
Balance at 9/30/2013	77,616	$19,404	$494,412	$434,363	18,527	$(274,602)	$ (3,339)	$(19,774)	$650,464
Net loss	—	—	—	(177)	—	—	—	—	(177)
Dividends	—	—	—	(6,273)	—	—	—	—	(6,273)
Tax effect from exercise/vesting of equity awards, net	—	—	273	—	—	—	—	—	273
Amortization of deferred compensation	—	—	—	—	—	—	—	2,457	2,457
Common stock issued	44	11	573	—	—	—	—	—	584
Common stock acquired	—	—	—	—	6,808	(79,614)	—	—	(79,614)
Equity awards granted, net	824	206	(358)	—	—	—	—	—	(152)
ESOP purchase of common stock	—	—	—	—	—	—	—	(20,000)	(20,000)
ESOP allocation of common stock	—	—	(283)	—	—	—	—	—	(283)
Stock-based compensation	—	—	11,473	—	—	—	—	—	11,473
Other comprehensive loss, net of tax	—	—	—	—	—	—	(26,725)	—	(26,725)
Balance at 9/30/2014	78,484	$19,621	$506,090	$427,913	25,335	$(354,216)	$(30,064)	$(37,317)	$532,027
Net income	—	—	—	34,289	—	—	—	—	34,289
Dividends	—	—	—	(7,654)	—	—	—	—	(7,654)
Tax effect from exercise/vesting of equity awards, net	—	—	345	—	—	—	—	—	345
Amortization of deferred compensation	—	—	—	—	—	—	—	2,786	2,786
Common stock issued	69	17	354	—	—	—	—	—	371
Common stock acquired	—	—	—	—	5,402	(82,343)	—	—	(82,343)
Equity awards granted, net	527	132	(384)	—	—	—	—	—	(252)
ESOP allocation of common stock	—	—	970	—	—	—	—	—	970
Stock-based compensation	—	—	11,110	—	—	—	—	—	11,110
Other comprehensive loss, net of tax	—	—	—	—	—	—	(61,124)	—	(61,124)
Balance at 9/30/2015	79,080	$19,770	$518,485	$454,548	30,737	$(436,559)	$(91,188)	$(34,531)	$430,525
Net income	—	—	—	30,010	—	—	—	—	30,010
Dividends	—	—	—	(8,798)	—	—	—	—	(8,798)
Amortization of deferred compensation	—	—	—	—	—	—	—	2,853	2,853
Common stock issued	41	10	(10)	—	—	—	—	—	—
Common stock acquired	—	—	—	—	4,060	(65,307)	—	—	(65,307)
Equity awards granted, net	845	212	52	—	—	—	—	—	264
ESOP allocation of common stock	—	—	1,317	—	—	—	—	—	1,317
Stock-based compensation	—	—	10,136	—	—	—	—	—	10,136
Other comprehensive income, net of tax	—	—	—	—	—	—	9,947	—	9,947
Balance at 9/30/2016	79,966	$19,992	$529,980	$475,760	34,797	$(501,866)	$(81,241)	$(31,678)	$410,947

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

(Unless otherwise indicated, all references to years or year-end refer to Griffon's fiscal period ending September 30,)

NOTE 1—DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of business

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. In order to further diversify, Griffon also seeks out, evaluates and, when appropriate, will acquire additional businesses that offer potentially attractive returns on capital.

Headquartered in New York, N.Y., the Company was founded in 1959 and is incorporated in Delaware. Griffon is listed on the New York Stock Exchange and trades under the symbol GFF.

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 ("CBP"):
  - AMES is the leading U.S. manufacturer and a global provider of long-handled tools and landscaping products for homeowners and professionals.
  - CBP is a leading manufacturer and marketer of residential and commercial garage doors and sells to professional dealers and some of the largest home center retail chains in North America.
- Telephonics Corporation ("Telephonics") is recognized globally as a leading provider of highly sophisticated intelligence, surveillance and communications solutions for defense, aerospace and commercial customers.
- Clopay Plastic Products Company, Inc. ("PPC") is a global leader in the development and production of embossed, laminated and printed specialty plastic films for hygienic, health-care and industrial products and sells to some of the world's largest consumer products companies.

Consolidation

The consolidated financial statements include the accounts of Griffon and all subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. The results of operations of acquired businesses are included from the dates of acquisitions.

Earnings per share

Due to rounding, the sum of earnings per share may not equal earnings per share of Net income.

Discontinued operations—Installation Services

In 2008, as a result of the downturn in the residential housing market, Griffon exited substantially all operating activities of its Installation Services segment which sold, installed and serviced garage doors and openers, fireplaces, floor coverings, cabinetry and a range of related building products, primarily for the new residential housing market. Operating results of substantially all of this segment have been reported as discontinued operations in the Consolidated Statements of Operations and Comprehensive Income (Loss) for all periods presented; Installation Services is excluded from segment reporting.

At September 30, 2016, Griffon's assets and liabilities for discontinued operations primarily related to income taxes and product liability, warranty and environmental reserves.

Reclassifications

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

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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, 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.

Cash and equivalents

Griffon considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. Cash equivalents primarily consist of overnight commercial paper, highly-rated liquid money market funds backed by U.S. Treasury securities and U.S. Agency securities, as well as insured bank deposits. Griffon had cash in non-U.S. bank accounts of approximately $24,000 and $31,700 at September 30, 2016 and 2015, respectively. Substantially all U.S. cash and equivalents are in excess of FDIC insured limits. Griffon regularly evaluates the financial stability of all institutions and funds that hold its cash and equivalents.

Fair value of financial instruments

The carrying values of cash and cash 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.

The fair value hierarchy, as outlined in the applicable accounting guidance, establishes a fair value hierarchy that requires 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 $725,000 and $121,563, respectively, on September 30, 2016. Fair values were based upon quoted market prices (level 1 inputs).

Insurance contracts with a value of $3,088 at September 30, 2016 are measured and recorded at fair value based upon quoted prices in active markets for similar assets (level 2 inputs) and are included in Other current assets on the consolidated balance sheet.

Items Measured at Fair Value on a Recurring Basis

At September 30, 2016 and 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 $1,314 ($1,000 cost basis) and $1,374 ($1,000 cost basis) were included in Prepaid and other current assets on the Consolidated Balance Sheets. During the year ended September 30, 2016, the Company settled trading securities with proceeds totaling $715 and recognized a loss of $13 in Other income (expense). During the year ended September 30, 2015, 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, a gain of $870, net of tax, on available-for-sale securities was 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 2016 and 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 USD.

At September 30, 2016 and 2015, Griffon had $25,500 and $25,531 of Australian dollar contracts at a weighted average rate of $1.30 and $1.43, respectively, which qualified for hedge accounting. 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, or Accrued liabilities, until settlement. Upon settlement, gains and losses were recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss) in Cost of goods and services. AOCI included deferred losses of $1,545 ($1,004, net of tax) and deferred gains of $1,049 ($682, net of tax) at September 30, 2016 and 2015, respectively. Upon settlement, gains and (losses) of $(752) and $1,223 were recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss) in Cost of goods and services ("COGS") during the years ended September 30, 2016 and September 30, 2015, respectively. All contracts expire in 14 to 270 days.

At September 30, 2016 and 2015, Griffon had $4,855 and $6,500, respectively, of Canadian dollar contracts at a weighted average rate of $1.31 and $1.33. These contracts, which protect Canadian operations from currency fluctuations for U.S. dollar based purchases, do not qualify for hedge accounting and fair value losses of $157 and fair value gains of $280 were recorded in Other assets and to Other income for the outstanding contracts, based on similar contract values (level 2 inputs), for the years ended September 30, 2016 and 2015, respectively. Realized gains of $136 and $257, were recorded in Other income during the years ended September 30, 2016 and September 30, 2015, respectively. All contracts expire in 14 to 270 days.

Pension plan assets with a fair value of $144,316 at September 30, 2016, are measured and recorded at fair value based upon quoted prices in active markets for identical assets (level 1 inputs) and quoted market prices for similar assets (level 2 inputs).

Non-U.S. currency translation

Assets and liabilities of non-U.S. subsidiaries, where the functional currency is not the U.S. dollar, have been translated at year-end exchange rates and profit and loss accounts have been translated using weighted average exchange rates. Adjustments resulting from currency translation have been recorded in the equity section of the balance sheet in AOCI as cumulative translation adjustments. Cumulative translation adjustments were losses of $42,894 and $60,178 at September 30, 2016 and 2015, respectively. Assets and liabilities of an entity that are denominated in currencies other than that entity's functional currency are remeasured into the functional currency using period end exchange rates, or historical rates where applicable to certain balances. Gains and losses arising on remeasurements are recorded within the Consolidated Statement of Operations and Comprehensive Income (Loss) as a component of Other income (expense).

Revenue recognition

Revenue is recognized when the following circumstances are satisfied: a) persuasive evidence of an arrangement exists, b) delivery has occurred, title has transferred or services are rendered, c) price is fixed and determinable and d) collectability is reasonably assured. Goods are sold on terms that transfer title and risk of loss at a specified location. Revenue recognition from product sales occurs when all factors are met, including transfer of title and risk of loss, which occurs either upon shipment or upon receipt by customers at the location specified in the terms of sale. Other than standard product warranty provisions, sales arrangements provide for no other significant post-shipment obligations. From time to time and for certain customers, rebates and other sales incentives, promotional allowances or discounts are offered, typically related to customer purchase volumes, all of which are fixed or determinable and are classified as a reduction of revenue and recorded at the time of sale. Griffon provides for sales returns allowances based upon historical returns experience.

Telephonics earns a substantial portion of its revenue as either a prime or subcontractor from contract awards with the U.S. Government, as well as non-U.S. governments and other commercial customers. These formal contracts are typically long-term in nature, usually greater than one year. Revenue and profits from these long-term fixed price contracts are recognized under the percentage-of-completion method of accounting. Revenue and profits on fixed-price contracts that contain engineering as well as production requirements are recorded based on the ratio of total actual incurred costs to date to the total estimated costs for each contract (cost-to-cost method). Using the cost-to-cost method, revenue is recorded at amounts equal to the ratio of actual cumulative costs incurred divided by total estimated costs at completion, multiplied by the total estimated contract revenue, less the cumulative revenue recognized in prior periods. The profit recorded on a contract using this method is equal to the current estimated total profit margin multiplied by the cumulative revenue recognized, less the amount of cumulative profit previously recorded for the contract in prior periods. As this method relies on the substantial use of estimates, these projections may be revised throughout the life of a contract. Components of this formula and ratio that may be estimated include gross profit margin and total costs at completion. The cost performance and estimates to complete on long-term contracts are reviewed, at a minimum, on a quarterly basis, as well as when information becomes available that would necessitate a review of the current estimate. Adjustments to estimates for a contract's estimated costs at completion and estimated profit or loss often are required as experience is gained, and as more information is obtained, even though the scope of work required under the contract may or may not change, or if contract modifications occur. The impact of such adjustments or changes to estimates is made on a cumulative basis in the period when such information has become known. In 2016, 2015 and 2014, income from operations included net favorable/(unfavorable) catch-up adjustments approximating $(700), $(400) and $(400), respectively. Gross profit is affected by a variety of factors, including the mix of products, systems and services, production efficiencies, price competition and general economic conditions.

Revenue and profits on cost-reimbursable type contracts are recognized as allowable costs, and are incurred on the contract at an amount equal to the allowable costs plus the estimated profit on those costs. The estimated profit on a cost-reimbursable contract may be fixed or variable based on the contractual fee arrangement. Incentive and award fees on these contracts are recorded as revenue when the criteria under which they are earned are reasonably assured of being met and can be estimated.

For contracts in which anticipated total costs exceed the total expected revenue, an estimated loss is recognized in the period when identifiable. A provision for the entire amount of the estimated loss is recorded on a cumulative basis. The estimated remaining costs to complete loss contracts as of September 30, 2016 was $4,700 and is recorded as a reduction to gross margin on the Consolidated Statements of Operations and Comprehensive Income (Loss). This loss had an immaterial impact on Griffon's Consolidated Financial Statements.

Amounts representing contract change orders or claims are included in revenue only when they can be reliably estimated and their realization is probable, and are determined on a percentage-of-completion basis measured by the cost-to-cost method.

From time to time, Telephonics may combine contracts if they are negotiated together, have specific requirements to combine, or are otherwise closely related. Contracts are segmented based on customer requirements.

Accounts receivable, allowance for doubtful accounts and concentrations of credit risk

Accounts receivable is composed principally of trade accounts receivable that arise from the sale of goods or services on account, and is stated at historical cost. A substantial portion of Griffon's trade receivables are from customers of HBP, of which the largest customer is Home Depot, whose financial condition is dependent on the construction and related retail sectors of the economy. In addition, a significant portion of Griffon's trade receivables are from one PPC customer, P&G, whose financial condition is dependent on the consumer products and related sectors of the economy. As a percentage of consolidated accounts receivable, U.S. Government related programs were 16%, P&G was 7% and Home Depot was 14%. Griffon performs continuing evaluations of the financial condition of its customers, and although Griffon generally does not require collateral, letters of credit may be required from customers in certain circumstances.

Trade receivables are recorded at the stated amount, less allowance for doubtful accounts and, when appropriate, for customer program reserves and cash discounts. The allowance represents estimated uncollectible receivables associated with potential customer defaults on contractual obligations (usually due to customers' potential insolvency). The allowance for doubtful accounts includes amounts for certain customers where a risk of default has been specifically identified, as well as an amount for customer defaults based on a formula when it is determined the risk of some default is probable and estimable, but cannot yet be associated with specific customers. The provision related to the allowance for doubtful accounts is recorded in Selling, general and administrative ("SG&A") expenses. The Company writes-off accounts receivable when they are deemed to be uncollectible.

Customer program reserves and cash discounts are netted against accounts receivable when it is customer practice to reduce invoices for these amounts. The amounts netted against accounts receivable in 2016 and 2015 were $8,509 and $7,507, respectively.

All accounts receivable amounts are expected to be collected in less than one year.

The Company does not currently have customers or contracts that prescribe specific retainage provisions.

Contract costs and recognized income not yet billed

Contract costs and recognized income not yet billed consists of amounts accounted for under the percentage of completion method of accounting, recoverable costs and accrued profit that cannot yet be invoiced under the terms of certain long-term contracts. Amounts will be invoiced when applicable contract terms, such as the achievement of specified milestones or product delivery, are met. At September 30, 2016 and 2015, approximately $12,000 and $16,500, respectively, of contract costs and recognized income not yet billed were expected to be collected after one year. As of September 30, 2016 and 2015, the unbilled receivable balance included $2,600 and $2,800, respectively, of reserves for contract risk.

Inventories

Inventories, stated at the lower of cost (first-in, first-out or average) or market, include material, labor and manufacturing overhead costs.

Griffon's businesses typically do not require inventory that is susceptible to becoming obsolete or dated. In general, Telephonics sells products in connection with programs authorized and approved under contracts awarded by the U.S. Government or agencies thereof and in accordance with customer specifications. PPC primarily produces fabricated materials used by customers in the production of their products and these materials are produced against orders from those customers. HBP produces doors and long-handled tools and landscaping products in response to orders from customers of retailers and dealers or based on expected orders, as applicable.

Property, plant and equipment

Property, plant and equipment includes the historical cost of land, buildings, equipment and significant improvements to existing plant and equipment or, in the case of acquisitions, a fair market value appraisal of such assets completed at the time of acquisition. Expenditures for maintenance, repairs and minor renewals are expensed as incurred. When property or equipment is sold or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts and the gain or loss is recognized. No event or indicator of impairment occurred during the three years ended September 30, 2016, which would require additional impairment testing of property, plant and equipment.

Depreciation expense, which includes amortization of assets under capital leases, was $62,689, $62,144 and $59,488 for the years ended September 30, 2016, 2015 and 2014, respectively, and was calculated on a straight-line basis over the estimated useful lives of the assets. Depreciation included in SG&A expenses was $13,239, $13,009 and $10,815 for the years ended September 30, 2016, 2015 and 2014. The remaining components of depreciation, attributable to manufacturing operations, are included in Cost of goods and services. Estimated useful lives for property, plant and equipment are as follows: buildings and building improvements, 25 to 40 years; machinery and equipment, 2 to 15 years and leasehold improvements, over the term of the lease or life of the improvement, whichever is shorter.

Capitalized interest costs included in Property, plant and equipment were $3,844, $4,165 and $4,529 for the years ended September 30, 2016, 2015 and 2014, respectively. The original cost of fully-depreciated property, plant and equipment remaining in use at September 30, 2016 was approximately $275,657.

Goodwill and indefinite-lived intangibles

Goodwill is the excess of the acquisition cost of a business over the fair value of the identifiable net assets acquired. Goodwill is not amortized, but is subject to an annual impairment test unless during an interim period, impairment indicators such as a significant change in the business climate exist.

Griffon performed its annual impairment testing of goodwill as of September 30, 2016. The performance of the test involves a two-step process. The first step involves comparing the fair value of Griffon's reporting units with the reporting unit's carrying amount, including goodwill. Griffon generally determines the fair value of its reporting units using the income approach methodology of valuation that includes the present value of expected future cash flows. This method uses market assumptions specific to Griffon's reporting units. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, Griffon performs the second step of the goodwill impairment test to determine the amount of impairment loss. The second step compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill.

Griffon defines its reporting units as its three reportable segments: HBP, Telephonics and PPC. HBP consists of two components, AMES and CBP, which due to their similar economic characteristics, are aggregated into one reporting unit for goodwill testing.

Griffon used 5 year projections and a 3.0% terminal value to which discount rates between 7.5% and 9.5% were applied to calculate each unit's fair value. To substantiate fair values derived from the income approach methodology of valuation, the implied fair value was compared to the marketplace fair value of a comparable industry grouping for reasonableness. Further, the fair values were reconciled to Griffon's market capitalization. Both market comparisons supported the implied fair values. Any changes in key assumptions or management judgment with respect to a reporting unit or its prospects, which may result from a decline in Griffon's stock price, a change in market conditions, market trends, interest rates or other factors outside Griffon's control, or significant underperformance relative to historical or project future operating results, could result in a significantly different estimate of the fair value of the reporting units, which could result in a future impairment charge (level 3 inputs).

Based upon the results of the annual impairment review, it was determined that the fair value of each reporting unit substantially exceeded the carrying value of the assets, as performed under step one, and no impairment existed.

Similar to goodwill, Griffon tests indefinite-lived intangible assets at least annually and when indicators of impairment exist. Griffon uses a discounted cash flow method to calculate and compare the fair value of the intangible to its book value. This method uses market assumptions specific to Griffon's reporting units, which are reasonable and supportable. If the fair value is less than the book value of the indefinite-lived intangibles, an impairment charge would be recognized.

There was no impairment related to any goodwill or indefinite-lived intangible at September 30, 2016, 2015 or 2014.

Definite-lived long-lived assets

Amortizable intangible assets are carried at cost less accumulated amortization. For financial reporting purposes, definite-lived intangible assets are amortized on a straight-line basis over their useful lives, generally eight to twenty-five years. Long-lived assets and certain identifiable intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition.

There were no indicators of impairment during the three years ending September 30, 2016.

Income taxes

Income taxes are accounted for under the liability method. Deferred taxes reflect the tax consequences on future years of differences between the tax basis of assets and liabilities and their financial reporting amounts. The carrying value of Griffon's deferred tax assets is dependent upon Griffon's ability to generate sufficient future taxable income in certain tax jurisdictions. Should Griffon determine that it is more likely than not that some portion of the deferred tax assets will not be realized, a valuation allowance against the deferred tax assets would be established in the period such determination was made.

Griffon provides for uncertain tax positions and any related interest and penalties based upon Management's assessment of whether a tax benefit is more likely than not of being sustained upon examination by tax authorities. At September 30, 2016 Griffon believes that it has appropriately accounted for all unrecognized tax benefits. As of September 30, 2016, 2015 and 2014, Griffon has recorded unrecognized tax benefits in the amount of $5,955, $7,851 and $7,906, respectively. Accrued interest and penalties related to income tax matters are recorded in the provision for income taxes.

Research and development costs, shipping and handling costs and advertising costs

Research and development costs not recoverable under contractual arrangements are charged to SG&A expense as incurred and amounted to $26,200, $25,600 and $23,400 in 2016, 2015 and 2014, respectively.

SG&A expenses include shipping and handling costs of $36,900 in 2016, $40,800 in 2015 and $42,400 in 2014 and advertising costs, which are expensed as incurred, of $22,000 in 2016, $24,000 in 2015 and $24,000 in 2014.

Risk, retention and insurance

Griffon's property and casualty insurance programs contain various deductibles that, based on Griffon's experience, are reasonable and customary for a company of its size and risk profile. Griffon generally maintains deductibles for claims and liabilities related primarily to workers' compensation, general, product and automobile liability as well as property damage and business interruption losses resulting from certain events. Griffon does not consider any of the deductibles to represent a material risk to Griffon. Griffon accrues for claim exposures that are probable of occurrence and can be reasonably estimated. Insurance is maintained to transfer risk beyond the level of self-retention and provides protection on both an individual claim and annual aggregate basis.

Pension benefits

Griffon sponsors defined and supplemental benefit pension plans for certain retired employees. Annual amounts relating to these plans are recorded based on actuarial projections, which include various actuarial assumptions, including discount rates, assumed rates of return, compensation increases and turnover rates. Actuarial assumptions used to determine pension liabilities, assets and expense are reviewed annually and modified based on current economic conditions and trends. The expected return on plan assets is determined based on the nature of the plan's investments and expectations for long-term rates of return. The discount rate used to measure obligations is based on a corporate bond spot-rate yield curve that matches projected future benefit payments, with the appropriate spot rate applicable to the timing of the projected future benefit payments. Assumptions used in determining Griffon's obligations under the defined benefit pension plans are believed to be reasonable, based on experience and advice from independent actuaries; however, differences in actual experience or changes in assumptions may materially impact Griffon's financial position or results of operations.

All of the defined benefit plans are frozen and have ceased accruing benefits.

Newly issued but not yet effective accounting pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued guidance on the Statement of Cash Flows Classification of certain cash receipts and cash payments (a consensus of the emerging issues take force). This guidance addresses the following eight specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. This guidance will be effective for the Company beginning in fiscal 2019. We are currently evaluating the impact of the guidance on the Company's financial condition, results of operations and related disclosures.

In February 2016, the FASB issued guidance on lease accounting requiring lessees to recognize a right-of-use asset and a lease liability for long-term leases. The liability will be equal to the present value of lease payments. This guidance must be applied using a modified retrospective transition approach to all annual and interim periods presented and is effective for the company beginning in fiscal 2019. We 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 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 2019; early adoption is permitted beginning in 2018. 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. The FASB has also issued the following additional guidance clarifying certain issues on revenue from contracts with customers; Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients and Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing. The Company is currently evaluating this guidance to determine the impact it will have on its consolidated financial statements.

Recently adopted accounting pronouncements

In March 2016, the FASB issued guidance on Stock Compensation: Improvements to Employee Share-Based Payment Accounting. The guidance changes how companies account for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as the classification of related matters in the statement of cash flows. The amendments are effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2016 using either prospective, retrospective or modified retrospective transition method, depending on the area covered in this guidance. The Company early adopted this guidance in fiscal 2016 in order to simplify the accounting for employee share-based payments..

Under this guidance all excess tax benefits ("windfalls") and deficiencies ("shortfalls") related to employee stock compensation was recognized within income tax expense for the year ended September 30, 2016. Under prior guidance, windfalls were recognized to Capital in excess of par value and shortfalls were only recognized to the extent they exceed the pool of windfall tax benefits. As a result of the adoption, a tax benefit of $2,193 was recognized within income tax expense reflecting the excess tax benefits for the year ended September 30, 2016. The adoption was on a prospective basis and therefore had no impact on prior years. Additionally, income tax benefits at settlement of an award were previously reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award's vesting period. Griffon has elected to apply that change in cash flow classification on a prospective basis, which has resulted in a $2,291 increase to net cash provided by operating activities and a corresponding increase to net cash used in financing activities in the accompanying condensed consolidated statement of cash flows for the year ended September 30, 2016, as compared to the amounts previously reported. The remaining provisions of this accounting standard did not have a material impact on the accompanying condensed consolidated financial statements.

In November 2015, the FASB issued guidance on simplifying the presentation of deferred income taxes, requiring deferred income tax liabilities and assets to be classified as non-current in the statement of financial position. The guidance is effective for annual and interim reporting periods within those annual periods beginning after December 15, 2016 and may be applied retrospectively or prospectively. The Company early adopted this guidance in fiscal 2016 in order to simplify balance sheet presentation and applied it retrospectively for all periods presented in the financial statements. Accordingly, we reclassified current deferred taxes to non-current on the Consolidated Balance Sheet as of September 30, 2015 resulting in a decrease to both non-current deferred tax assets and non-current tax liabilities of $3,793 and $14,827, respectively.

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements.

NOTE 2—ACQUISITIONS

Griffon accounts for acquisitions under the acquisition method, in which assets acquired and liabilities assumed are recorded at fair value as of the date of acquisition using a method substantially similar to the goodwill impairment test methodology (level 3 inputs). The operating results of the acquired companies are included in Griffon's consolidated financial statements from the date of acquisition.

On February 14, 2016, AMES Australia acquired substantially all of the Intellectual Property (IP) assets of Australia-based Nylex Plastics Pty Ltd. for $1,744. Through this acquisition, AMES and Griffon secured the ownership of the trademark "Nylex" for certain categories of AMES products, principally in the country of Australia. Previously, the Nylex name was licensed. The acquisition of the Nylex IP was contemplated as a post-closing activity of the Cyclone acquisition and supports AMES' Australian watering products strategy. The purchase price was allocated to indefinite lived trademarks and is not deductible for income taxes.

In December 2015, Telephonics invested an additional $2,726 increasing its equity stake from 26% to 49% in Mahindra Telephonics Integrated Systems ("MTIS"), a joint venture with Mahindra Defence Systems, a Mahindra Group Company. MTIS is an aerospace and defense manufacturing and development facility in Prithla, India. This investment is accounted for using the equity method.

On April 16, 2015, AMES acquired the assets of an operational wood mill in Champion, PA from the Babcock Lumber Company for $2,225. The purchase price was preliminarily allocated to property, plant and equipment. The wood mill secures wood supplies, lowers overall production costs and mitigates risk associated with manufacturing handles for wheelbarrows and long-handled tools.

On May 21, 2014, AMES acquired the Australian Garden and Tools business of Illinois Tool Works, Inc. ("Cyclone") for approximately $40,000. 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. SG&A expenses included $2,363 of related acquisition costs in 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 complements Southern Patio®, acquired in 2011, and adds to AMES' existing lawn and garden operations in Australia. SG&A expenses included $798 of related acquisition costs in 2014.

(US dollars and non US currencies in thousands, except per share data)

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.

	Cyclone	Northcote	Total
Current Assets and Other, net of cash acquired	$ 21,116	$ 7,398	$ 28,514
PP&E	488	1,385	1,873
Goodwill	13,587	11,254	24,841
Amortizable intangible assets	11,608	6,098	17,706
Indefinite life intangible assets	3,548	3,121	6,669
Total assets acquired	$ 50,347	$29,256	$ 79,603
Total liabilities assumed	(10,822)	(7,475)	$(18,297)
Net assets acquired	$ 39,525	$21,781	$ 61,306

The amounts assigned to major intangible asset classifications, none of which are tax deductible, are as follows:

	Cyclone	Northcote	Total	Amortization Period (Years)
Goodwill	$13,587	$11,254	$24,841	N/A
Trade names	3,548	3,121	6,669	Indefinite
Customer relationships	11,608	6,098	17,706	25
	$28,743	$20,473	$49,216	

NOTE 3—INVENTORIES

The following table details the components of inventory:

	At September 30, 2016	At September 30, 2015
Raw materials and supplies	$ 81,345	$ 91,973
Work in process	75,852	70,811
Finished goods	151,672	163,025
Total	$308,869	$325,809

NOTE 4—PROPERTY, PLANT AND EQUIPMENT

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

	At September 30, 2016	At September 30, 2015
Land, building and building improvements	$ 138,204	$ 131,546
Machinery and equipment	804,280	747,194
Leasehold improvements	51,015	47,465
	993,499	926,205
Accumulated depreciation and amortization	(588,095)	(546,233)
Total	$ 405,404	$ 379,972

(US dollars and non US currencies in thousands, except per share data)

NOTE 5—GOODWILL AND OTHER INTANGIBLES

The following table provides changes in carrying value of goodwill by segment through the year ended September 30, 2016:

	At September 30, 2014	Foreign currency translation adjustments	September 30, 2015	Foreign currency translation adjustments	September 30, 2016
Home & Building Products	$290,661	$ (4,836)	$285,825	$1,792	$287,617
Telephonics	18,545	—	18,545	—	18,545
PPC	64,905	(13,034)	51,871	3,152	55,023
Total	$374,111	$(17,870)	$356,241	$4,944	$361,185

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

	At September 30, 2016			At September 30, 2015	
	Gross Carrying Amount	Accumulated Amortization	Average Life (Years)	Gross Carrying Amount	Accumulated Amortization
Customer relationships	$170,652	$47,217	25	$168,560	$39,755
Unpatented technology	6,073	4,060	12.5	6,107	3,525
Total amortizable intangible assets	176,725	51,277		174,667	43,280
Trademarks	85,151	—		82,450	—
Total intangible assets	$261,876	$51,277		$257,117	$43,280

Amortization expense for intangible assets subject to amortization was $7,519, $7,656 and $7,908 for the years ended September 30, 2016, 2015 and 2014, respectively. Amortization expense for each of the next five years and thereafter, based on current intangible balances and classifications, is estimated as follows: 2017 - $7,500; 2018 - $7,344; 2019 - $7,218; 2020 - $6,742 and 2021 - $6,742; thereafter - $89,902.

No event or indicator or impairment occurred during the current year, which would require impairment testing of long-lived intangible assets including goodwill.

NOTE 6—DISCONTINUED OPERATIONS

In 2008, as a result of the downturn in the residential housing market, Griffon exited substantially all operating activities of its Installation Services segment which sold, installed and serviced garage doors and openers, fireplaces, floor coverings, cabinetry and a range of related building products, primarily for the new residential housing market. In 2008, Griffon sold eleven units, closed one unit and merged two units into CBP. Griffon substantially concluded its remaining disposal activities in 2009.

Installation Services operating results have been reported as discontinued operations in the Consolidated Statements of Operations and Comprehensive Income (Loss) for all periods presented; Installation Services is excluded from segment reporting. There was no reported revenue in 2015, 2014 and 2013.

In 2013, the Company recorded a $4,651 charge to discontinued operations increasing environmental and casualty insurance reserves. A portion of this charge relates to ongoing and potential future homeowner association claims related to the Installation Services business; claims experience has been greater than anticipated when reserves were initially established in 2008. The adjustment to environmental reserves relates to changes in status of and approach to cleanup requirements for businesses that were discontinued several years ago.

(US dollars and non US currencies in thousands, except per share data)

At September 30, 2016, Griffon's assets and liabilities for discontinued operations primarily related to insurance claims, income taxes and product liability, warranty and environmental reserves.

The following amounts related primarily to the Installation Services segment have been segregated from Griffon's continuing operations and are reported as assets and liabilities of discontinued operations in the consolidated balance sheets:

	At September 30, 2016	At September 30, 2015
Assets of discontinued operations:		
Prepaid and other current assets	$ 219	$ 236
Other long-term assets	1,968	3,255
Total assets of discontinued operations	$2,187	$3,491
Liabilities of discontinued operations:		
Accrued liabilities, current	$1,684	$2,229
Other long-term liabilities	1,706	3,379
Total liabilities of discontinued operations	$3,390	$5,608

NOTE 7—ACCRUED LIABILITIES

The following table details the components of accrued liabilities:

	At September 30, 2016	At September 30, 2015
Compensation	$ 44,781	$ 53,805
Interest	4,011	3,395
Warranties and rebates	6,187	6,501
Insurance	13,374	12,401
Rent, utilities and freight	2,555	2,094
Income and other taxes	13,226	8,312
Marketing and advertising	1,961	1,809
Restructuring	3,491	481
Other	14,008	12,406
Total	$103,594	$101,204

NOTE 8—RESTRUCTURING AND OTHER RELATED CHARGES

During the third quarter of 2016, PPC incurred pre-tax restructuring and related exit costs approximating $5,900 primarily related to headcount reductions at PPC's Dombuhl, Germany facility, other location headcount reductions and the shut down of PPC's Turkey facility. These actions resulted in the elimination of approximately 86 positions. The Dombuhl charges are related to an optimization plan that will drive innovation and enhance our industry leading position in printed breathable back sheet. The facility will be transformed into a state of the art hygiene products facility focused on breathable printed film and siliconized products. In conjunction with this effort, our customer base will be streamlined, and we will dispose of old assets and reduce overhead costs, allowing for gains in efficiencies.

(US dollars and non US currencies in thousands, except per share data)

During 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. The actions, completed at the end of the 2015 first quarter, improved manufacturing and distribution efficiencies, allow for in-sourcing of certain production currently performed by third party suppliers, and improved material flow and absorption of fixed costs.

Since January 2013, 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. AMES had $19,964 of restructuring related capital expenditures since January 2013.

In 2014, HBP recognized $1,892 of restructuring and other related charges primarily related to one-time termination benefits, facility costs, other personnel costs and asset impairment charges related to the AMES' plant consolidation initiative. As a result of these actions, HBP headcount was reduced by 46.

A summary of the restructuring and other related charges included in the line item "Restructuring and other related charges" in the Consolidated Statements of Operations recognized for 2016 was as follows:

	Workforce Reduction	Facilities & Exit Costs	Other Related Costs	Non-cash Facility and Other	Total
Amounts incurred in the year ended:					
September 30, 2016	$3,337	$659	$1,073	$831	$5,900

In 2015, no restructuring and other related charges were incurred.

The activity in the restructuring accrual recorded in Accrued liabilities consisted of the following:

	Workforce Reduction	Facilities & Exit Costs	Other Related Costs	Total
Accrued liability at September 30, 2015	$ 481	$ —	$ —	$ 481
Charges	3,337	659	1,073	5,069
Payments	(1,331)	(659)	(69)	(2,059)
Accrued liability at September 30, 2016	$ 2,487	$ —	$1,004	$ 3,491

NOTE 9—WARRANTY LIABILITY

Telephonics offers warranties against product defects for periods generally ranging from one to two years, depending on the specific product and terms of the customer purchase agreement. CBP also offers warranties against product defects for periods generally ranging from one to ten years, with limited lifetime warranties on certain door models. Typical warranties require CBP and Telephonics to repair or replace the defective products during the warranty period at no cost to the customer. At the time revenue is recognized, Griffon records a liability for warranty costs, estimated based on historical experience, and periodically assesses its warranty obligations and adjusts the liability as necessary. AMES offers an express limited warranty for a period of ninety days on all products unless otherwise stated on the product or packaging from the date of original purchase.

(US dollars and non US currencies in thousands, except per share data)

Changes in Griffon's warranty liability, included in Accrued liabilities, were as follows:

	Years Ended September 30, 2016	2015
Balance, beginning of period	$ 6,040	$ 6,044
Warranties issued and changes in estimated pre-existing warranties	6,501	7,959
Actual warranty costs incurred	(6,219)	(7,963)
Balance, end of period	$ 6,322	$ 6,040

NOTE 10—NOTES PAYABLE, CAPITALIZED LEASES AND LONG-TERM DEBT

The present value of the net minimum payments on capitalized leases as of September 30, 2016 was follows:

	At September 30, 2016
Total minimum lease payments	$ 9,250
Less amount representing interest payments	(1,359)
Present value of net minimum lease payments	7,891
Current portion	(1,566)
Capitalized lease obligation, less current portion	$ 6,325

Minimum payments under capital leases for the next five years are as follows: $2,154 in 2017, $1,963 in 2018, $1,624 in 2019, $1,604 in 2020, $1,623 in 2021 and $282 thereafter.

Included in the consolidated balance sheet at September 30, 2016 under Property, plant and equipment, are costs and accumulated depreciation subject to capitalized leases of $18,039 and $10,148, respectively, and included in Other assets are deferred interest charges of $131. Included in the consolidated balance sheet at September 30, 2015, under Property, plant and equipment are costs and accumulated depreciation subject to capitalized leases of $17,314 and $8,520, respectively, and included in Other assets are deferred interest charges of $156. Amortization expense was $1,628, $1,765, and $1,296 in 2016, 2015 and 2014, respectively.

In October 2006, a subsidiary of Griffon entered into a capital lease totaling $14,290 for real estate it occupies in Troy, Ohio. Approximately $10,000 was used to acquire the building and the remaining amount was used for improvements. 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.

(US dollars and non US currencies in thousands, except per share data)

Debt at September 30, 2016 and 2015 consisted of the following:

		At September 30, 2016				
		Outstanding Balance	Original Issuer Discount	Capitalized Fees & Expenses	Balance Sheet	Coupon Interest Rate
Senior note due 2022	(a)	$725,000	(1,447)	$ (9,799)	$713,754	5.25%
Revolver due 2020	(b)	—	—	(2,425)	(2,425)	n/a
Convert. debt due 2017	(c)	100,000	(1,248)	(148)	98,604	4.00%
Real estate mortgages	(d)	37,861	—	(595)	37,266	n/a
ESOP Loans	(e)	34,387	—	(237)	34,150	n/a
Capital lease—real estate	(f)	6,447	—	(131)	6,316	5.00%
Non U.S. lines of credit	(g)	11,462		(1)	11,461	n/a
Non U.S. term loans	(g)	33,669	—	(247)	33,422	n/a
Other long term debt	(h)	4,030	—	(20)	4,010	n/a
Totals		952,856	(2,695)	(13,603)	936,558	
less: Current portion		(22,644)	—	—	(22,644)	
Long-term debt		$930,212	$(2,695)	$(13,603)	$913,914	

		At September 30, 2015				
		Outstanding Balance	Original Issuer Discount	Capitalized Fees & Expenses	Balance Sheet	Coupon Interest Rate
Senior notes due 2022	(a)	$600,000	$ —	$ (8,264)	$591,736	5.25%
Revolver due 2020	(b)	35,000	—	(2,049)	32,951	n/a
Convert. debt due 2017	(c)	100,000	(5,594)	(571)	93,835	4.00%
Real estate mortgages	(d)	32,280	—	(470)	31,810	n/a
ESOP Loans	(e)	36,744	—	(224)	36,520	n/a
Capital lease—real estate	(f)	7,524	—	(156)	7,368	5.00%
Non U.S. lines of credit	(g)	8,934	—	(3)	8,931	n/a
Non U.S. term loans	(g)	39,142	—	(299)	38,843	n/a
Other long term debt	(h)	1,575	—	—	1,575	n/a
Totals		861,199	(5,594)	(12,036)	843,569	
less: Current portion		(16,593)	—	—	(16,593)	
Long-term debt		$844,606	$(5,594)	$(12,036)	$826,976	

(US dollars and non US currencies in thousands, except per share data)

Interest expense consists of the following for the years ended September 30, 2016, 2015 and 2014.

		Year Ended September 30, 2016				
		Effective Interest Rate	Cash Interest	Amort. Debt Discount	Amort. Deferred Cost & Other Fees	Total Interest Expense
Senior notes due 2022	(a)	5.48%	33,906	103	1,481	35,490
Revolver due 2018	(b)	n/a	2,564	—	512	3,076
Convert. debt due 2017	(c)	9.0%	4,000	4,346	443	8,789
Real estate mortgages	(d)	2.2%	695	—	82	777
ESOP Loans	(e)	3.1%	1,090	—	236	1,326
Capital lease—real estate	(f)	5.5%	353	—	25	378
Non U.S. lines of credit	(g)	n/a	950	—	91	1,041
Non U.S. term loans	(g)	n/a	1,080	—	87	1,167
Other long term debt	(h)	n/a	283	—	9	292
Capitalized interest			(1,082)	—	—	(1,082)
Totals			$43,839	$4,449	$2,966	$51,254

		Year Ended September 30, 2015				
		Effective Interest Rate	Cash Interest	Amort. Debt Discount	Amort. Deferred Cost & Other Fees	Total Interest Expense
Senior notes due 2022	(a)	5.46%	31,500	—	1,289	32,789
Revolver due 2018	(b)	n/a	2,301	—	520	2,821
Convert. debt due 2017	(c)	9.1%	4,000	3,989	444	8,433
Real estate mortgages	(d)	3.8%	468	—	576	1,044
ESOP Loans	(e)	2.9%	1,025	—	69	1,094
Capital lease—real estate	(f)	5.3%	405	—	25	430
Non U.S. lines of credit	(g)	n/a	661	—	—	661
Non U.S. term loan	(g)	n/a	1,335	—	57	1,392
Other long term debt	(h)	n/a	166	—	13	179
Capitalized interest			(670)	—	—	(670)
Totals			41,191	3,989	2,993	48,173

		Year Ended September 30, 2014				
		Effective Interest Rate	Cash Interest	Amort. Debt Discount	Amort. Deferred Cost & Other Fees	Total Interest Expense
Senior notes due 2018	(a)	7.4%	$15,930	$ —	$ 667	$16,597
Senior notes due 2022	(a)	5.25%	18,550		759	19,309
Revolver due 2018	(b)	n/a	1,094	—	570	1,664
Convert. debt due 2017	(c)	9.1%	4,000	3,662	443	8,105
Real estate mortgages	(d)	3.9%	500	—	144	644
ESOP Loans	(e)	2.8%	747	—	54	801
Capital lease—real estate	(f)	5.3%	456	—	25	481
Non U.S. lines of credit	(g)	n/a	919	—	27	946
Non U.S. term loan	(g)	n/a	847	—	36	883
Other long term debt	(h)	n/a	70	—	40	110
Capitalized interest			(1,093)	—	—	(1,093)
Totals			$42,020	$3,662	$2,765	$48,447

Minimum payments under debt agreements for the next five years are as follows: $22,644 in 2017, $21,378 in 2018, $23,934 in 2019, $34,957 in 2020, $103,895 in 2021 and $746,048 thereafter.

(a) On May 18, 2016, in an unregistered offering through a private placement under Rule 144A, Griffon completed the add-on offering of $125,000 principal amount of its 5.25% senior notes due 2022, at 98.76% of par, to Griffon's previous issuance of $600,000 5.25% senior notes due in 2022, at par, which was completed on February 27, 2014 (collectively the "Senior Notes"). As of May 18, 2016, outstanding Senior Notes due totaled $725,000; interest is payable semi-annually on March 1 and September 1. The net proceeds of the add-on offering were used to pay down outstanding borrowings under Griffon's Revolving Credit Facility (the "Credit Agreement").

Proceeds from the $600,000 5.25% senior notes due in 2022 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 in 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 July 20, 2016 and June 18, 2014, Griffon exchanged all of the $125,000 and $600,000 Senior Notes, respectively, for substantially identical Senior Notes registered under the Securities Act of 1933 via an exchange offer. The fair value of the Senior Notes approximated $725,000 on September 30, 2016 based upon quoted market prices (level 1 inputs).

In connection with the issuance and exchange of the $125,000 senior notes, Griffon capitalized $3,016 of underwriting fees and other expenses in the quarter, which will amortize over the term of such notes; Griffon capitalized $10,313 in connection with the previously issued $600,000 senior notes. Furthermore, in connection with the issuance of the previously issued $600,000 senior 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.

(b) On March 22, 2016, Griffon amended its Revolving Credit Facility ("Credit Agreement") to increase the credit facility from$250,000 to $350,000, extend its maturity from March 13, 2020 to March 22, 2021, and modify certain other provisions of the facility. The facility includes a letter sub-facility with a limit of $50,000 and a multi-currency sub-facility of $50,000. The Credit Agreement provides for same day borrowings of base rate loans. Borrowings under the Credit Agreement may be repaid and re-borrowed at any time, subject to final maturity of the facility or the occurrence or 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 1.25% for base rate loans and 2.25% 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 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

September 30, 2016, there were no outstanding borrowings and standby letters of credit were $16,275 under the Credit Agreement; $333,725 was available, subject to certain loan covenants, for borrowing at that date.

(c) On December 21, 2009, Griffon issued $100,000 principal of 4% convertible subordinated notes due 2017 (the “2017 Notes”). As of September 30, 2016, the current conversion rate of the 2017 Notes was 70.1632 shares of Griffon’s common stock per $1 principal amount of notes, corresponding to a conversion price of $14.25 per share. Since July 15, 2016, any holder has had the option to convert such holder’s notes. Under the terms of the 2017 Notes, Griffon has the right to settle the conversion of the 2017 Notes in cash, stock or a combination of cash and stock. On July 14, 2016, Griffon announced that it will settle, upon conversion, up to $125,000 of the conversion value of the 2017 Notes in cash, with amounts in excess of $125,000, if any, to be settled in shares of Griffon common stock. At both September 30, 2016 and 2015, 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 $121,563 on September 30, 2016 based upon quoted market prices (level 1 inputs). These notes are classified as long term debt as Griffon has the intent and ability to refinance the principal amount of the notes, including with borrowings under the Credit Agreement. On November 14, 2016, Griffon adjusted the conversion rate of the 2017 Notes to 70.5867 shares of Griffon’s common stock per $1 principal amount of notes, corresponding to a conversion price of $14.17 per share. This adjustment was made as a result of dividends paid the last two quarters; Griffon was not required to give effect to this adjustment prior to November 14, 2016 (the forty-second trading day prior to maturity), because the cumulative increase since the prior time the conversion rate was adjusted was less than 1%. The conversion rate will be further adjusted for any dividends declared after November 14, 2016 for which the ex-dividend date is prior to maturity.

(d) In September 2015 and March 2016, Griffon entered into mortgage loans in the amount of $32,280 and $8,000, respectively. The mortgage loans are secured by four properties occupied by Griffon’s subsidiaries. The loans mature in September 2025, and April 2018, respectively, are collateralized by the specific properties financed and are guaranteed by Griffon. The loans bear interest at a rate of LIBOR plus 1.50%. At September 30, 2016, $37,266 was outstanding, net of issuance costs.

(e) In August 2016, Griffon’s ESOP entered into an agreement that refinanced the existing ESOP loan into a new Term Loan in the amount of $35,092 (the “Agreement”). The Agreement also provided for a Line Note with $10,908 available to purchase shares of Griffon common stock in the open market. The availability period for the Line Note runs through August 2017 at which point the outstanding balance under the Line Note will be combined with the Term Loan. The Term Loan and Line Note bear interest at LIBOR plus 2.50%. The Term Loan requires quarterly principal payments of $655 through September 30, 2016 and $569 thereafter, with a balloon payment due at maturity on March 22, 2020. 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. As of September 30, 2016, $34,150, net of issuance costs, was outstanding under the Term Loan. Subsequent to September 30, 2016 and through November 11, 2016, Griffon’s ESOP purchased 548,912 shares of common stock for a total of $9,213 or $16.78 per share. The remaining amount available on the authorization is $1,695.

(f) 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. As of September 30, 2016, $6,316 was outstanding, net of issuance costs.

(g) In September 2015, Clopay Europe GmbH ("Clopay Europe") entered into a EUR 5,000 ($5,612 as of September 30, 2016) revolving credit facility and a EUR 15,000 term loan. The term loan is payable in twelve quarterly installments of EUR 1,250, bears interest at a fixed rate of 2.5% and matures in September 2018. The revolving facility matures in September 2017, but is renewable upon mutual agreement with the bank. The revolving credit facility accrues interest at EURIBOR plus 1.75% per annum (1.75% at September 30, 2016). The revolver and the term loan are both secured by substantially all of the assets of Clopay Europe and its subsidiaries. Griffon guarantees the revolving facility and term loan. The term loan had an outstanding balance of EUR 10,000 ($11,223 at September 30, 2016) and the revolver had no borrowings outstanding at September 30, 2016. Clopay Europe is required to maintain a certain minimum equity to assets ratio and is subject to a maximum debt leverage ratio (defined as the ratio of total debt to EBITDA).

Clopay do Brasil maintains lines of credit of approximately R$12,800 ($3,944 as of September 30, 2016). Interest on borrowings accrues at a rate of Brazilian CDI plus 6.0% (20.13% at September 30, 2016). As of September 30, 2016, there was approximately R$7,147 ($2,202 as of September 30, 2016) borrowed under the lines. PPC guarantees the loan and lines.

In November 2012, Garant G.P. ("Garant") entered into a CAD 15,000 ($11,457 as of September 30, 2016) revolving credit facility. The facility accrues interest at LIBOR (USD) or the Bankers Acceptance Rate (CDN) plus 1.3% per annum (2.13% LIBOR USD and 2.12% Bankers Acceptance Rate CDN as of September 30, 2016). The revolving facility matures in October 2019. Garant is required to maintain a certain minimum equity. As of September 30, 2016, there were CAD 5,090 ($3,888 as of September 30, 2016) borrowed under the revolving credit facility with CAD 9,910 ($7,569 as of September 30, 2016) available for borrowing.

In July 2016, Griffon Australia and its Australian subsidiaries entered into an AUD 30,000 term loan and an AUD 10,000 revolver. The term loan refinanced two existing term loans and the revolver replaced two existing lines. The term loan requires quarterly principal payments of AUD 750 plus interest with a balloon payment of AUD 21,000 due upon maturity in June 2019, and accrues interest at Bank Bill Swap Bid Rate "BBSY" plus 2.25% per annum (4.20% at September 30, 2016). As of September 30, 2016, the term had an outstanding balance of AUD 29,250 ($22,446 as of September 30, 2016) on the term loans, net of issuance costs. The revolving facility matures in June 2017 but is renewable upon mutual agreement with the bank, and accrues interest at BBSY plus 2.0% per annum (3.67% at September 30, 2016). The revolver had an outstanding balance of AUD 7,000 ($5,372 at September 30, 2016). The revolver and the term loan are both secured by substantially all of the assets of Griffon Australia and its subsidiaries. Griffon guarantees the term loan. Griffon Australia is required to maintain a certain minimum equity level and is subject to a maximum leverage ratio and a minimum fixed charges cover ratio.

(h) Other long-term debt primarily consists of a loan with the Pennsylvania Industrial Development Authority with the balance consisting of capital leases.

At September 30, 2016, Griffon and its subsidiaries were in compliance with the terms and covenants of its credit and loan agreements.

NOTE 11—EMPLOYEE BENEFIT PLANS

Griffon offers defined contribution plans to most of its U.S. employees. In addition to employee contributions to the plans, Griffon makes contributions based upon various percentages of compensation and/or employee contributions, which were $8,301 in 2016, $7,988 in 2015 and $8,207 in 2014.

The Company also provides healthcare and life insurance benefits for certain groups of retirees through several plans. For certain employees, the benefits are at fixed amounts per retiree and are partially contributory by the retiree. The post-retirement benefit obligation was $2,081 and $2,035 as of September 30, 2016 and 2015. The accumulated other comprehensive income (loss) for these plans was $(140) and ($97) as of September 30, 2016 and 2015, respectively, and the 2016 and 2015 benefit expense was $57 and $58, respectively. It is the Company's practice to fund these benefits as incurred.

Griffon also has qualified and non-qualified defined benefit plans covering certain employees with benefits based on years of service and employee compensation. Over time, these amounts will be recognized as part of net periodic pension costs in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Griffon is responsible for overseeing the management of the investments of the qualified defined benefit plan and uses the services of an investment manager to manage these assets based on agreed upon risk profiles. The primary objective of the qualified defined benefit plan is to secure participant retirement benefits. As such, the key objective in this plan's financial management is to promote stability and, to the extent appropriate, growth in the funded status. Financial objectives are established in conjunction with a review of current and projected plan financial requirements. The fair values of a majority of the plan assets were determined by the plans' trustee using quoted market prices for identical instruments (level 1 inputs) as of September 30, 2016 and 2015. The fair value of various other investments was determined by the plan's trustee using direct observable market corroborated inputs, including quoted market prices for similar assets (level 2 inputs). There were no pension assets measured using level 3 inputs.

Effective January 1, 2012, the Clopay Pension Plan merged with the Ames True Temper Inc. Pension Plan. The merged qualified defined benefit plan was named the Clopay Ames Pension Plan (the "Clopay AMES Plan").

The Clopay portion of the Clopay AMES Plan has been frozen to new entrants since December 2000. Certain employees who were part of the plan prior to December 2000 continued to accrue a service benefit through December 2010, at which time all plan participants stopped accruing service benefits.

The AMES portion of the Clopay AMES Plan has been frozen to all new entrants since November 2009 and stopped accruing benefits in December 2009.

The AMES supplemental executive retirement plan was frozen to new entrants and participants in the plan stopped accruing benefits in 2008.

In 2016, the Company changed the method used to estimate the service and interest components of net periodic benefit cost for pension and other post-retirement benefits from the single weighted-average discount rate to the spot rate method. There was no impact on the total benefit obligation.

In 2014, the company contributed €1,300 (U.S. $1,776), which equaled the net balance sheet liability, in settlement of all remaining obligations for a non-U.S. pension liability. There were no gains or losses recorded for this settlement.

Griffon uses judgment to establish the assumptions used in determining the future liability of the plan, as well as the investment returns on the plan assets. The expected return on assets assumption used for pension expense was developed through analysis of historical market returns, current market conditions and past experience of plan investments. The long-term rate of return assumption represents the expected average rate of earnings on the funds invested, or to be invested, to provide for the benefits included in the benefit obligations. The assumption is based on several factors including historical market index returns, the anticipated long-term asset allocation of plan assets and the historical return. The discount rate assumption is determined by developing a yield curve based on high quality bonds with maturities matching the plans' expected benefit payment stream. The plans' expected cash flows are then discounted by the resulting year-by-year spot rates. A 10% change in the discount rate, average wage increase or return on assets would not have a material effect on the financial statements of Griffon.

(US dollars and non US currencies in thousands, except per share data)

Net periodic costs (benefits) were as follows:

	Defined Benefits for the Years Ended September 30,			Supplemental Benefits for the Years Ended September 30,		
	2016	2015	2014	2016	2015	2014
Net periodic (benefits) costs:						
Service cost	$ —	$ —	$ 22	$ —	$ —	$ —
Interest cost	5,465	7,526	8,205	1,243	1,302	1,497
Expected return on plan assets	(10,934)	(11,728)	(11,309)	—	—	—
Amortization of:						
Prior service costs	1	1	1	19	16	14
Actuarial loss	1,131	1,008	885	1,224	1,157	1,034
Total net periodic (benefits) costs	$ (4,337)	$ (3,193)	$ (2,196)	$2,486	$2,475	$2,545

The tax benefits in 2016, 2015 and 2014 for the amortization of pension costs in Other comprehensive income (loss) were $831, $764 and $677, respectively.

The estimated net actuarial loss and prior service cost that will be amortized from AOCI into Net periodic pension cost during 2017 is $3,320 and $23, respectively.

The weighted-average assumptions used in determining the net periodic (benefits) costs were as follows:

	Defined Benefits for the Years Ended September 30,			Supplemental Benefits for the Years Ended September 30,		
	2016	2015	2014	2016	2015	2014
Discount rate	3.42%	3.98%	4.49%	2.86%	3.50%	4.09%
Average wage increase	—%	—%	0.15%	—%	—%	—%
Expected return on assets	7.50%	8.00%	8.00%	—%	—%	—%

(US dollars and non US currencies in thousands, except per share data)

Plan assets and benefit obligation of the defined and supplemental benefit plans were as follows:

	Defined Benefits at September 30,		Supplemental Benefits at September 30,	
	2016	2015	2016	2015
Change in benefit obligation:				
Benefit obligation at beginning of fiscal year	$184,846	$194,327	$ 37,305	$ 38,207
Interest cost	5,465	7,526	1,243	1,302
Benefits paid	(10,460)	(10,300)	(4,060)	(4,082)
Actuarial (gain) loss	9,305	(6,707)	1,286	1,878
Benefit obligation at end of fiscal year	189,156	184,846	35,774	37,305
Change in plan assets:				
Fair value of plan assets at beginning of fiscal year	144,625	154,966	—	—
Actual return on plan assets	10,151	(1,711)	—	—
Company contributions	—	1,670	4,060	4,082
Benefits paid	(10,460)	(10,300)	(4,060)	(4,082)
Fair value of plan assets at end of fiscal year	144,316	144,625	—	—
Projected benefit obligation in excess of plan assets	$(44,840)	$(40,221)	$(35,774)	$(37,305)
Amounts recognized in the statement of financial position consist of:				
Accrued liabilities	$ —	$ —	$ (4,030)	$ (4,056)
Other liabilities (long-term)	(44,840)	(40,221)	(31,744)	(33,249)
Total Liabilities	(44,840)	(40,221)	(35,774)	(37,305)
Net actuarial losses	38,115	29,158	21,195	21,139
Prior service cost	1	2	56	71
Deferred taxes	(13,341)	(10,206)	(7,438)	(7,423)
Total Accumulated other comprehensive loss, net of tax	24,775	18,954	13,813	13,787
Net amount recognized at September 30,	$(20,065)	$(21,267)	$(21,961)	$(23,518)
Accumulated benefit obligations	$189,156	$184,846	$ 35,774	$ 37,305
Information for plans with accumulated benefit obligations in excess of plan assets:				
ABO	$189,156	$184,846	$ 35,774	$ 37,305
PBO	189,156	184,846	35,774	37,305
Fair value of plan assets	144,316	144,625	—	—

The weighted-average assumptions used in determining the benefit obligations were as follows:

	Defined Benefits at September 30,		Supplemental Benefits at September 30,	
	2016	2015	2016	2015
Weighted average discount rate	3.42%	3.94%	2.86%	3.52%
Weighted average wage increase	—%	—%	—%	—%

(US dollars and non US currencies in thousands, except per share data)

The actual and weighted-average asset allocation for qualified benefit plans were as follows:

	At September 30, 2016	2015	Target
Cash and equivalents	18.0%	1.0%	—%
Equity securities	57.7%	52.7%	63.0%
Fixed income	19.3%	41.0%	37.0%
Other	5.0%	5.3%	—%
Total	100.0%	100.0%	100.0%

Estimated future benefit payments to retirees, which reflect expected future service, are as follows:

For the years ending September 30,	Defined Benefits	Supplemental Benefits
2017	$10,735	$ 4,060
2018	10,773	4,030
2019	10,861	3,821
2020	11,007	3,636
2021	11,141	3,442
2022 through 2026	55,439	12,927

During 2016, Griffon expects to contribute $4,060 in payments related to Supplemental Benefits that will be funded from the general assets of Griffon. Griffon does not expect to make any contributions to the Defined Benefit plan in 2017.

The Clopay AMES Plan is covered by the Pension Protection Act of 2006. The Adjusted Funding Target Attainment Percent for the plan as of January 1, 2016 was 99.6%. Since the plan was in excess of the 80% funding threshold there were no plan restrictions. The expected level of 2017 catch up contributions is $0.

The following is a description of the valuation methodologies used for plan assets measured at fair value:

Short-term investment funds—The fair value is determined using the Net Asset Value ("NAV") provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in a market that is not active and is primarily classified as Level 2. These investments can be liquidated on demand.

Government and agency securities—When quoted market prices are available in an active market, the investments are classified as Level 1. When quoted market prices are not available in an active market, the investments are classified as Level 2.

Equity securities—The fair values reflect the closing price reported on a major market where the individual mutual fund securities are traded in equity securities. These investments are classified within Level 1 of the valuation hierarchy.

Debt securities—The fair values are based on a compilation of primarily observable market information or a broker quote in a non-active market where the individual mutual fund securities are invested in debt securities. These investments are primarily classified within Level 2 of the valuation hierarchy.

Commingled funds—The fair values are determined using NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the trust/entity, minus its liabilities, and then divided by the number of shares outstanding. These investments are generally classified within Level 2 of the valuation hierarchy and can be liquidated on demand.

(US dollars and non US currencies in thousands, except per share data)

Interest in limited partnerships and hedge funds—One limited partnership investment is a private equity fund and the fair value is determined by the fund managers based on the estimated value of the various holdings of the fund portfolio. These investments are classified within Level 2 of the valuation hierarchy.

The following table presents the fair values of Griffon's pension and post-retirement plan assets by asset category:

At September 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	$26,008	$ —	$—	$ 26,008
Short-term investment funds	—	—	—	—
Government agency securities	—	—	—	—
Debt instruments	14,122	—	—	14,122
Equity securities	44,759	—	—	44,759
Commingled funds	—	53,703	—	53,703
Limited partnerships and hedge fund investments	—	5,724	—	5,724
Total	$84,889	$59,427	$—	$144,316

At September 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	$ 1,370	$ —	$—	$ 1,370
Debt instruments	14,291	—	—	14,291
Equity securities	44,742	—	—	44,742
Commingled funds	—	78,490	—	78,490
Limited partnerships and hedge fund investments	—	5,732	—	5,732
Total	$60,403	$84,222	$—	$144,625

Griffon has an ESOP that covers substantially all domestic employees. All U.S. employees of Griffon, who are not members of a collective bargaining unit, automatically become eligible to participate in the plan on the October 1st following completion of one year of service. Securities are allocated to participants' individual accounts based on the proportion of each participant's aggregate compensation (not to exceed $265 for the plan year ended September 30, 2016), to the total of all participants' compensation. Shares of the ESOP which have been allocated to employee accounts are charged to expense based on the fair value of the shares transferred and are treated as outstanding in determining earnings per share. Dividends paid on shares held by the ESOP are used to offset debt service on ESOP Loans. Dividends paid on shares held in participant accounts are utilized to allocate shares from the aggregate number of shares to be released, equal in value to those dividends, based on the closing price of Griffon common stock on the dividend payment date. Compensation expense under the ESOP was $3,689 in 2016, $3,400 in 2015 and $2,447 in 2014. The cost of the shares held by the ESOP and not yet allocated to employees is reported as a reduction of Shareholders' Equity. The fair value of the unallocated ESOP shares as of September 30, 2016 and 2015 based on the closing stock price of Griffon's stock was $47,370 and $47,907, respectively. The ESOP shares were as follows:

(US dollars and non US currencies in thousands, except per share data)

	At September 30, 2016	At September 30, 2015
Allocated shares	2,596,016	2,479,776
Unallocated shares	2,784,579	3,037,831
	5,380,595	5,517,607

NOTE 12—INCOME TAXES

Income taxes have been based on the following components of Income before taxes:

	For the Years Ended September 30, 2016	2015	2014
Domestic	$54,163	$54,515	$(14,682)
Non-U.S.	(999)	(879)	8,966
	$53,164	$53,636	$ (5,716)

Provision (benefit) for income taxes on income was comprised of the following:

	For the Years Ended September 30, 2016	2015	2014
Current	$15,072	$17,215	$ (408)
Deferred	8,082	2,132	(5,131)
Total	$23,154	$19,347	$(5,539)
U.S. Federal	$14,261	$16,937	$(6,486)
State and local	3,482	3,215	(291)
Non-U.S.	5,411	(805)	1,238
Total provision	$23,154	$19,347	$(5,539)

Griffon's Income tax provision for the year ended September 30, 2016 included a $2,193 benefit from the early adoption of the new FASB accounting guidance which now requires excess tax benefits from vesting of equity awards to be recognized within income tax expense. Under this guidance all excess tax benefits ("windfalls") and deficiencies ("shortfalls") related to employee stock compensation are recognized within income tax expense. Under prior guidance windfalls were recognized to Additional Paid In Capital and shortfalls were only recognized to the extent they exceed the pool of windfall tax benefits.

Griffon's Income tax provision included benefits of ($2,172) in 2016, ($517) in 2015, and ($4,429) in 2014 reflecting the reversal of previously recorded tax liabilities primarily due to the resolution of various tax audits and the closing of certain statutes for prior years' tax returns.

(US dollars and non US currencies in thousands, except per share data)

Differences between the effective income tax rate applied to Income and U.S. Federal income statutory rate were as follows:

	For the Years Ended September 30,		
	2016	2015	2014
U.S. Federal income tax provision (benefit) rate	35.0%	35.0%	(35.0)%
State and local taxes, net of Federal benefit	4.1%	4.9%	17.5%
Non-U.S. taxes	0.1%	(0.4)%	(35.8)%
Change in tax contingency reserves	(3.7)%	0.3%	(36.0)%
Repatriation of foreign earnings	—%	0.9%	4.7%
Change in valuation allowance	3.9%	(4.7)%	4.5%
Non-deductible/non-taxable items, net	1.6%	(0.7)%	(3.4)%
Capitalized interest	1.9%	—%	—%
Research and U.S. foreign tax credits	4.8%	(0.5)%	(3.9)%
Deferred tax impact of state rate change	—%	—%	(4.5)%
FASB adoption and other categories	(4.1)%	—%	—%
Other	—%	1.3%	(5.0)%
Effective tax provision (benefit) rate	43.6%	36.1%	(96.9)%

The tax effect of temporary differences that give rise to future deferred tax assets and liabilities are as follows:

	At September 30,	
	2016	2015
Deferred tax assets:		
Bad debt reserves	$ 2,156	$ 2,083
Inventory reserves	9,158	7,482
Deferred compensation (equity compensation and defined benefit plans)	39,866	38,169
Compensation benefits	5,770	6,186
Insurance reserve	3,285	3,079
Restructuring reserve	431	122
Warranty reserve	2,352	2,288
Net operating loss	31,732	24,089
Tax credits	3,573	6,704
Other reserves and accruals	4,238	5,206
	102,561	95,408
Valuation allowance	(12,832)	(10,462)
Total deferred tax assets	89,729	84,946
Deferred tax liabilities:		
Deferred income	(3,389)	(7,432)
Goodwill and intangibles	(72,907)	(72,645)
Property, plant and equipment	(46,391)	(35,382)
Interest	(496)	(2,053)
Other	(551)	(102)
Total deferred tax liabilities	(123,734)	(117,614)
Net deferred tax liabilities	$ (34,005)	$ (32,668)

(US dollars and non US currencies in thousands, except per share data)

The increase in the valuation allowance of $2,370 is primarily the result of a valuation allowance on accumulated Germany net operating losses resulting from management's assessment of current and future operational performance and related restructuring efforts partially offset by a release related to expired tax credits.

The components of the net deferred tax liability, by balance sheet account, were as follows:

	At September 30,	
	2016	2015
Prepaid and other current assets	$ —	$ —
Other assets	7,274	5,778
Current liabilities	—	—
Other liabilities	(41,925)	(39,582)
Assets of discontinued operations	646	1,136
Net deferred liability	$(34,005)	$(32,668)

The Company adopted early the FASB issued guidance on simplifying the presentation of deferred income taxes, requiring deferred income tax liabilities and assets to be classified as non-current in the statement of financial position and applied it retrospectively for all periods presented in the financial statements. Accordingly, we reclassified current deferred taxes to non-current on the Consolidated Balance Sheet as of September 30, 2015 resulting in a decrease to both non-current deferred tax assets and non-current tax liabilities of $3,793 and $14,827, respectively.

At both September 30, 2016 and 2015, Griffon has not recorded deferred income taxes on the undistributed earnings of its non-U.S. subsidiaries because of management's ability and intent to indefinitely reinvest such earnings outside the U.S. At September 30, 2016, Griffon's share of the undistributed earnings of the non-U.S. subsidiaries amounted to approximately $77,085. It is not practicable to estimate the amount of deferred tax liability related to investments in these foreign subsidiaries.

At September 30, 2016 and 2015, Griffon had loss carryforwards for non-U.S. tax purposes of $93,548 and $68,591, respectively. The non-U.S. loss carryforwards are available for carryforward indefinitely.

At September 30, 2016 and 2015, Griffon had state and local loss carryforwards of $104,254 and $99,094, respectively, which expire in varying amounts through 2036.

At September 30, 2016 and 2015, Griffon had no federal loss carryforwards.

At September 30, 2016 and 2015, Griffon had federal tax credit carryforwards of $3,199 and $6,223, respectively, which expire beginning in 2020.

We believe it is more likely than not that the benefit from certain foreign net operating losses, state net operating losses and federal tax credits will not be realized. In recognition of this risk, we have provided a valuation allowance of $9,340 $1,752 and $1,740, respectively on the deferred tax assets relating to these foreign and state net operating loss carryforwards and federal credits. If our assumptions change and we determine we will be able to realize these foreign or state net operating loss carryforwards or federal credits, the benefits relating to the reversal of the valuation allowance will be recognized as a reduction of income tax expense.

If certain substantial changes in Griffon's ownership occur, there would be an annual limitation on the amount of carryforward(s) that can be utilized.

Griffon files U.S. Federal, state and local tax returns, as well as applicable returns in Germany, Canada, Brazil, Australia, Ireland and other non-U.S. jurisdictions. Griffon's U.S. Federal income tax returns are no longer subject to income tax examination for years before 2012, Griffon's German income tax returns are no longer subject to income tax examination for years through 2010 and major U.S. state and other non-U.S. jurisdictions are no longer subject to income tax examinations for years before 2011. Various U.S. state and non-U.S. statutory tax audits are currently underway.

(US dollars and non US currencies in thousands, except per share data)

The following is a roll forward of unrecognized tax benefits:

Balance at September 30, 2014	$ 7,906
Additions based on tax positions related to the current year	645
Reductions based on tax positions related to prior years	(252)
Lapse of Statutes	(448)
Balance at September 30, 2015	7,851
Additions based on tax positions related to the current year	268
Reductions based on tax positions related to prior years	(1,079)
Lapse of Statutes	(1,085)
Balance at Balance at September 30, 2016	$ 5,955

If recognized, the amount of potential tax benefits that would impact Griffon's effective tax rate is $1,438. Griffon recognizes potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. At September 30, 2016 and 2015, the combined amount of accrued interest and penalties related to tax positions taken or to be taken on Griffon's tax returns and recorded as part of the reserves for uncertain tax positions was $362 and $655, respectively. Griffon cannot reasonably estimate the extent to which existing liabilities for uncertain tax positions may increase or decrease within the next twelve months as a result of the progression of ongoing tax audits or other events. Griffon believes that it has adequately provided for all open tax years by tax jurisdiction.

NOTE 13—STOCKHOLDERS' EQUITY AND EQUITY COMPENSATION

During 2016, 2015 and 2014, the Company declared and paid dividends totaling $0.20 per share, $0.16 per share and $0.12 per share, respectively. The Company currently intends to pay dividends each quarter; however, payment of dividends is determined by the Board of Directors at its discretion based on various factors, and no assurance can be provided as to the payment of future dividends.

On January 29, 2016, shareholders approved the Griffon Corporation 2016 Equity Incentive Plan ("Incentive Plan") under which awards of performance shares, performance units, stock options, stock appreciation rights, restricted shares, restricted stock units, deferred shares and other stock-based awards may be granted. 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 2,350,000 (600,000 of which may be issued as incentive stock options), plus (i) any shares reserved for issuance under the 2011 Equity Incentive Plan as of the effective date of the Incentive Plan, and (ii) any shares underlying awards outstanding on such effective date under the 2011 Incentive Plan that are canceled or forfeited. As of September 30, 2016, 1,922,661 shares were available for grant.

All grants outstanding under former equity plans will continue under their terms; no additional awards will be granted under such plans.

Compensation expense for restricted stock and restricted stock units ("RSUs") is recognized ratably over the required service period based on the fair value of the grant, calculated as the number of shares (or RSUs) granted multiplied by the stock price on date of grant, and for performance shares (or performance RSUs), 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 Selling, general and administrative expenses. The following table summarizes the Company's compensation expense relating to all stock-based incentive plans:

(US dollars and non US currencies in thousands, except per share data)

	For the Years Ended September 30,		
	2016	2015	2014
Pre-tax compensation expense	$10,136	$11,110	$11,473
Tax benefit	(3,553)	(4,000)	(3,224)
Total stock-based compensation expense, net of tax	$ 6,583	$ 7,110	$ 8,249

All stock options are vested. A summary of stock option activity for the year ended September 30, 2016 is as follows:

	Options			
	Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (Years)	Aggregated Intrinsic Value
Outstanding and Exercisable at September 30, 2015	425,450	$20.86		
Forfeited/Expired	(69,450)	25.70		
Outstanding and Exercisable at September 30, 2016	356,000	19.91	2.0	$13

	Options Outstanding & Exercisable		
Range of Exercises Prices	Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (Years)
$14.78	6,000	$14.78	0.8
$20.00	350,000	20.00	2.0
Totals	356,000		

A summary of restricted stock activity, inclusive of restricted stock units, for the year ended September 30, 2016, is as follows:

	Shares	Weighted Average Grant-Date Fair Value
Unvested at September 30, 2015	3,400,035	$12.01
Granted	1,049,704	11.21
Vested	(1,385,061)	17.30
Forfeited	(196,158)	12.86
Unvested at September 30, 2016	2,868,520	12.10

The fair value of restricted stock which vested during the year ended September 30, 2016, 2015, and 2014 was $23,965, $5,068 and $14,058, respectively.

Unrecognized compensation expense related to non-vested shares of restricted stock was $18,881 at September 30, 2016 and will be recognized over a weighted average vesting period of 1.4 years.

At September 30, 2016, a total of approximately 5,147,200 shares of Griffon's authorized Common Stock were reserved for issuance in connection with stock compensation plans.

During the first quarter of 2016, Griffon granted 372,243 shares of restricted stock, subject to certain performance conditions, with vesting periods of three years, with a total fair value of $6,425, or a weighted average fair value of $17.26 per share. During the second quarter of 2016, Griffon granted 677,461 shares of restricted stock consisting of 605,000 shares to two senior executives with a vesting period of four years and a two year post-vesting holding period, and 31,761 shares of restricted stock, subject to certain performance conditions, with a vesting period of three years and a fair value of $473, or a weighted average fair value of $14.90 per share. Griffon also granted 40,700 shares with a vesting period of three years and a fair value of $618, or a weighted average fair value of $15.18 per share. The grants issued to two senior executive are subject to the achievement of certain absolute and relative performance conditions relating to the price of Griffon's common stock. So long as the minimum performance condition is attained, the amount of shares that can vest will range from 220,000 to 605,000. The Monte Carlo Simulation model was chosen to value the two senior executive awards; the total fair value of these restricted shares is approximately $4,247, or a weighted average fair value of $7.02. During the third and fourth quarters of 2016, no shares of restricted stock were granted.

On each of August 2011, May 2014, March 20, 2015, July 30, 2015 and August 3, 2016, Griffon's Board of Directors authorized the repurchase of up to $50,000 of Griffon's outstanding common stock. Under these repurchase programs, the Company may purchase shares of its common stock, depending upon market conditions, in open market or privately negotiated transactions, including pursuant to a 10b5-1 plan. Shares repurchased are recorded at cost. During 2014, Griffon purchased 1,906,631 shares of common stock under the August 2011 and May 2014 repurchase programs, for a total of $23,167 or $12.15 per share. During 2015, Griffon purchased 5,311,915 shares of common stock under the May 2014 and March 2015 programs, for a total of $80,934, or $15.24 per share. During 2016, Griffon purchased 3,549,077 shares of common stock under the March 2015 and July 2015 programs, for a total of $56,288, or $15.86 per share. Since August 2011 and through September 30, 2016, Griffon repurchased 20,300,298 shares of common stock, for a total of $259,420 or $12.78 per share, under Board authorized share repurchase programs (which repurchases included exhausting the remaining availability under a Board authorized repurchase program that was in existence prior to 2011). This included the repurchase of 15,855,854 shares on the open market, as well as the December 10, 2013 repurchase of 4,444,444 shares from GS Direct for $50,000, or $11.25 per share. At September 30, 2016, an aggregate of $51,637 remains under Griffon's July 2015 and August 2016 Board authorized repurchase programs.

In addition to the repurchases under Board authorized programs, during 2016, 510,843 shares, with a market value of $8,788, or $17.20 per share, were withheld to settle employee taxes due upon the vesting of restricted stock.

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. The transaction was exclusive of the Company's August 2011, $50,000 authorized share repurchase program. 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, 2017, it will first negotiate in good faith to sell such shares to the Company.

During 2014, Griffon's Board of Directors authorized the ESOP to purchase up to $20,000 of Griffon's outstanding common stock, depending upon market conditions, in open market or privately negotiated transactions, including pursuant to a 10b5-1 plan. During 2014, the ESOP purchased 1,591,117 shares of common stock, for a total of $20,000 or $12.57 per share. Subsequent to September 30, 2016 and through November 11, 2016, Griffon's ESOP purchased 548,912 shares of common stock for a total of $9,213 or $16.78 per share. The remaining amount available on the authorization is $1,695.

In connection with the Northcote acquisition, Griffon entered into certain retention arrangements with Northcote management. Under these arrangements, on January 10, 2014, Griffon issued 44,476 shares of common stock to Northcote management for an aggregate purchase price of $584 or $13.13 per share, and for each share of common stock purchased, Northcote management received one restricted stock unit (included in the detail in the prior paragraph), that vests in three equal installments over three years, subject to the attainment of specified performance criteria.

NOTE 14—COMMITMENTS AND CONTINGENT LIABILITIES

Operating leases

Griffon rents real property and equipment under operating leases expiring at various dates. Most of the real property leases have escalation clauses related to increases in real property taxes. Rent expense for all operating leases totaled approximately $29,166, $29,556 and $27,784 in 2016, 2015 and 2014, respectively. Aggregate future minimum lease payments for operating leases at September 30, 2016 are $24,914 in 2017, $23,887 in 2018, $20,368 in 2019, $15,299 in 2020, $7,864 in 2021 and $13,810 thereafter.

Legal and environmental

Department of Environmental Conservation of New York State ("DEC"), with ISC Properties, Inc. Lightron Corporation ("Lightron"), a wholly-owned subsidiary of Griffon, once conducted operations at a location in Peekskill in the Town of Cortlandt, New York (the "Peekskill Site") owned by ISC Properties, Inc. ("ISC"), a wholly-owned subsidiary of Griffon. ISC sold the Peekskill Site in November 1982.

Subsequently, Griffon was advised by the DEC that random sampling at the Peekskill Site and in a creek near the Peekskill Site indicated concentrations of solvents and other chemicals common to Lightron's prior plating operations. ISC then entered into a consent order with the DEC in 1996 (the "Consent Order") to perform a remedial investigation and prepare a feasibility study. After completing the initial remedial investigation pursuant to the Consent Order, ISC was required by the DEC, and did accordingly conduct over the next several years, supplemental remedial investigations, including soil vapor investigations, under the Consent Order.

In April 2009, the DEC advised ISC's representatives that both the DEC and the New York State Department of Health had reviewed and accepted an August 2007 Remedial Investigation Report and an Additional Data Collection Summary Report dated January 30, 2009. With the acceptance of these reports, ISC completed the remedial investigation required under the Consent Order and was authorized, accordingly, by the DEC to conduct the Feasibility Study required by the Consent Order. Pursuant to the requirements of the Consent Order and its obligations thereunder, ISC, without acknowledging any responsibility to perform any remediation at the Site, submitted to the DEC in August 2009, a draft feasibility study which recommended for the soil, groundwater and sediment media, remediation alternatives having a current net capital cost value, in the aggregate, of approximately $5,000. In February 2011, DEC advised ISC it has accepted and approved the feasibility study. Accordingly, ISC has no further obligations under the consent order.

Upon acceptance of the feasibility study, DEC issued a Proposed Remedial Action Plan ("PRAP") that sets forth the proposed remedy for the site. The PRAP accepted the recommendation contained in the feasibility study for remediation of the soil and groundwater media, but selected a different remediation alternative for the sediment medium. The approximate cost and the current net capital cost value of the remedy proposed by DEC in the PRAP is approximately $10,000. After receiving public comments on the PRAP, the DEC issued a Record of Decision ("ROD") that set forth the specific remedies selected and responded to public comments. The remedies selected by the DEC in the ROD are the same remedies as those set forth in the PRAP.

It is now expected that DEC will enter into negotiations with potentially responsible parties to request they undertake performance of the remedies selected in the ROD, and if such parties do not agree to implement such remedies, then the State of New York may use State Superfund money to remediate the Peekskill site and seek recovery of costs from such parties. Griffon does not acknowledge any responsibility to perform any remediation at the Peekskill Site.

Improper Advertisement Claim involving Union Tools® Products. Beginning in December 2004, a customer of AMES had been named in various litigation matters relating to certain Union Tools products. The plaintiffs in those litigation matters asserted causes of action against the customer of AMES for improper advertisement to end consumers. The allegations suggested that advertisements led the consumers to believe that Union Tools' hand tools were wholly manufactured within boundaries of the United States. The complaints asserted various causes of action against the customer of AMES under federal and state law, including common law fraud. At some point, the customer may seek indemnity (including recovery of its legal fees and costs) against AMES for an unspecified amount. Presently, AMES cannot estimate the amount of loss, if any, if the customer were to seek legal recourse against AMES.

Union Fork and Hoe, Frankfort, NY site. The former Union Fork and Hoe property in Frankfort, NY was acquired by Ames in 2006 as part of a larger acquisition, and has historic site contamination involving chlorinated solvents, petroleum hydrocarbons and metals. AMES has entered into an Order on Consent with the New York State Department of Environmental Conservation. While the Order is without admission or finding of liability or acknowledgment that there has been a release of hazardous substances at the site, AMES is required to perform a remedial investigation of certain portions of the property and to recommend a remediation option. At the conclusion of the remediation phase to the satisfaction of the DEC, the DEC will issue a Certificate of Completion. AMES has performed significant investigative and remedial activities in the last few years under work plans approved by the DEC, and the DEC recently approved the final remedial investigation report. In May 2016, AMES submitted a Feasibility Study, evaluating a number of remedial options, and recommending excavation and offsite disposal of lead contaminated soils and capping of other areas of the site impacted by other metals. The DEC is evaluating the Feasibility Study and is expected to issue a Record of Decision approving the selection of a remedial alternative in late 2016 or early 2017. Implementation of the selected remedial alternative is expected to occur in 2017. AMES has a number of defenses to liability in this matter, including its rights under a Consent Judgment entered into between the DEC and a predecessor of AMES relating to the site.

U.S. Government investigations and claims

Defense contracts and subcontracts, including Griffon's contracts and subcontracts, are subject to audit and review by various agencies and instrumentalities of the United States government, including among others, the Defense Contract Audit Agency ("DCAA"), the Defense Criminal Investigative Service ("DCIS"), and the Department of Justice ("DOJ") which has responsibility for asserting claims on behalf of the U.S. government. In addition to ongoing audits, Griffon is currently in discussions with the civil division of the U.S. Department of Justice regarding certain amounts the civil division has indicated it believes it is owed from Griffon with respect to certain U.S. government contracts in which Griffon acted as a subcontractor. No claim has been asserted against Griffon in connection with this matter, and Griffon believes that it does not have a material financial exposure in connection with this matter.

In general, departments and agencies of the U.S. Government have the authority to investigate various transactions and operations of Griffon, and the results of such investigations may lead to administrative, civil or criminal proceedings, the ultimate outcome of which could be fines, penalties, repayments or compensatory or treble damages. U.S. Government regulations provide that certain findings against a contractor may lead to suspension or debarment from future U.S. Government contracts or the loss of export privileges for a company or an operating division or subdivision. Suspension or debarment could have a material adverse effect on Telephonics because of its reliance on government contracts.

General legal

Griffon is subject to various laws and regulations relating to the protection of the environment and is a party to legal proceedings arising in the ordinary course of business. Management believes, based on facts presently known to it, that the resolution of the matters above and such other matters will not have a material adverse effect on Griffon's consolidated financial position, results of operations or cash flows.

NOTE 15—EARNINGS PER SHARE

Basic and diluted EPS for the years ended September 30, 2016, 2015 and 2014 were determined using the following information (in thousands):

	2016	2015	2014
Weighted average shares outstanding—basic	41,074	44,608	49,367
Incremental shares from stock based compensation	2,326	2,011	—
Convertible debt due 2017	709	320	—
Weighted average shares outstanding—diluted	44,109	46,939	49,367
Anti-dilutive options excluded from diluted EPS computation	6	493	582
Anti-dilutive restricted stock excluded from diluted EPS computation	—	—	1,642

Griffon has the intent and ability to settle the principal amount of the 2017 Notes in cash, and therefore the potential issuance of shares related to the principal amount of the 2017 Notes does not affect diluted shares. Shares of the ESOP that have been allocated to employee accounts are treated as outstanding in determining earnings per share.

NOTE 16—RELATED PARTIES

In 2014, Goldman, Sachs & Co. acted as a co-manager and as an initial purchaser in connection with the Senior Notes offering and received a fee of $825.

On December 10, 2013, Griffon repurchased 4,444,444 shares of its common stock for $50,000 from GS Direct. 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, 2017, it will first negotiate in good faith to sell such shares to the Company.

(US dollars and non US currencies in thousands, except per share data)

NOTE 17—QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly results of operations for the years ended September 30, 2016 and 2015 were as follows:

Quarter ended	Revenue	Gross Profit	Net Income (loss)	Per Share —Basic	Per Share —Diluted
2016					
December 31, 2015	$ 494,149	$116,105	$ 8,596	$0.20	$0.19
March 31, 2016	500,107	114,157	6,095	0.15	0.14
June 30, 2016	462,200	119,357	7,596	0.19	0.18
September 30, 2016	500,705	123,815	7,723	0.19	0.18
	$1,957,161	$473,434	$30,010	$0.73	$0.68
2015					
December 31, 2014	$ 502,160	$117,989	$ 7,471	$0.16	$0.04
March 31, 2015	500,020	114,375	5,122	0.11	0.11
June 30, 2015	511,694	123,489	10,893	0.25	0.23
September 30, 2015	502,158	119,925	10,803	0.25	0.24
	$2,016,032	$475,778	$34,289	$0.77	$0.73

Notes to Quarterly Financial Information (unaudited):

- Earnings (loss) per share are computed independently for each quarter and year presented; as such the sum of the quarters may not be equal to the full year amounts.
- 2016 Net income, and the related per share earnings, included, net of tax, restructuring and other related charges of $4,247 for the third quarter.

NOTE 18—REPORTABLE SEGMENTS

Griffon's reportable segments are as follows:

- HBP is a leading manufacturer and marketer of residential and commercial garage doors to professional dealers and to some of the largest home center retail chains in North America, as well as a global provider of long-handled tools and landscaping products for homeowners and professionals.
- Telephonics is recognized globally as a leading provider of highly sophisticated intelligence, surveillance and communications solutions for defense, aerospace and commercial customers.
- PPC is a global leader in the development and production of embossed, laminated and printed specialty plastic films for hygienic, health-care and industrial products and sells to some of the world's largest consumer products companies.

Griffon evaluates performance and allocates resources based on operating results before interest income or expense, income taxes and certain nonrecurring items of income or expense.

(US dollars and non US currencies in thousands, except per share data)

Information on Griffon's reportable segments is as follows:

	For the Years Ended September 30,		
	2016	2015	2014
Revenue			
Home & Building Products:			
AMES	$ 513,973	$ 535,881	$ 503,687
CBP	527,370	516,320	475,756
Home & Building Products	1,041,343	1,052,201	979,443
Telephonics	435,692	$ 431,090	$ 419,005
PPC	480,126	$ 532,741	$ 593,363
Total consolidated net sales	$1,957,161	$2,016,032	$1,991,811

	For the Years Ended September 30,		
	2016	2015	2014
Income (Loss) Before Taxes			
Segment operating profit:			
Home & Building Products	$ 79,682	$ 58,883	$ 40,538
Telephonics	42,801	43,006	45,293
PPC	20,313	33,137	28,881
Total segment operating profit	142,796	135,026	114,712
Net interest expense	(51,111)	(47,872)	(48,144)
Unallocated amounts	(38,521)	(33,518)	(33,394)
Loss from debt extinguishment	—	—	(38,890)
Income (loss) before taxes	$ 53,164	$ 53,636	$ (5,716)

Griffon evaluates performance and allocates resources based on each segments' operating results before interest income and expense, income taxes, depreciation and amortization, unallocated amounts (mainly corporate overhead), restructuring charges, acquisition-related expenses, and gains (losses) from pension settlement and debt extinguishment, as applicable ("Segment adjusted EBITDA", a non-GAAP measure). 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 and discontinued operations:

	For the Years Ended September 30,		
	2016	2015	2014
Segment adjusted EBITDA:			
Home & Building Products	$114,949	$ 94,226	$ 77,171
Telephonics	53,385	53,028	57,525
PPC	50,079	57,103	56,291
Total Segment adjusted EBITDA	218,413	204,357	190,987
Net interest expense	(51,111)	(47,872)	(48,144)
Segment depreciation and amortization	(69,717)	(69,331)	(66,978)
Unallocated amounts	(38,521)	(33,518)	(33,394)
Loss from debt extinguishment	—	—	(38,890)
Restructuring charges	(5,900)	—	(6,136)
Acquisition costs	—	—	(3,161)
Income (loss) before taxes	$ 53,164	$ 53,636	$ (5,716)

(US dollars and non US currencies in thousands, except per share data)

	For the Years Ended September 30, 2016	2015	2014
Depreciation and Amortization			
Segment:			
Home & Building Products	$35,267	$35,343	$31,580
Telephonics	10,584	10,022	7,988
PPC	23,866	23,966	27,410
Total segment depreciation and amortization	69,717	69,331	66,978
Corporate	491	469	418
Total consolidated depreciation and amortization	$70,208	$69,800	$67,396
Capital Expenditures			
Segment:			
Home & Building Products	$49,351	$38,896	$33,779
Telephonics	9,007	6,347	20,963
PPC	31,817	28,103	21,032
Total segment	90,175	73,346	75,774
Corporate	584	274	1,320
Total consolidated capital expenditures	$90,759	$73,620	$77,094

	At September 30, 2016	At September 30, 2015	At September 30, 2014
Assets			
Segment assets:			
Home & Building Products	$1,020,297	$1,034,032	$1,031,904
Telephonics	334,631	302,560	319,327
PPC	365,920	343,519	389,464
Total segment assets	1,720,848	1,680,111	1,740,695
Corporate	59,061	29,211	64,381
Total continuing assets	1,779,909	1,709,322	1,805,076
Assets of discontinued operations	2,187	3,491	3,750
Consolidated total	$1,782,096	$1,712,813	$1,808,826

Segment information by geographic region was as follows:

	For the Years Ended September 30, 2016	2015	2014
Revenue by Geographic Area—Destination			
United States	$1,396,086	$1,383,775	$1,386,575
Europe	198,897	227,203	254,460
Canada	112,650	132,133	134,637
Australia	111,587	113,077	62,567
South America	72,813	87,759	105,691
All other countries	65,128	72,085	47,881
Consolidated revenue	$1,957,161	$2,016,032	$1,991,811

(US dollars and non US currencies in thousands, except per share data)

	For the Years Ended September 30,		
	2016	2015	2014
Long-lived Assets by Geographic Area			
United States	$466,266	$454,255	$439,737
Germany	64,316	66,367	74,457
Canada	35,984	36,449	42,374
Australia	26,196	22,136	28,155
All other countries	23,241	14,602	19,465
Consolidated property, plant and equipment, net	$616,003	$593,809	$604,188

As a percentage of consolidated revenue, HBP sales to Home Depot approximated 13% in 2016 and 12% in both 2015 and 2014; PPC sales to P&G approximated 13% in 2016, and 14% in both 2015 and 2014; and Telephonics aggregate sales to the United States Government and its agencies approximated 16% in 2016, 14% in 2015 and 15% in 2014.

NOTE 19—OTHER INCOME (EXPENSE)

Other income (expense) included $770, $286 and $220 for the years ended September 30, 2016, 2015 and 2014, respectively, of currency exchange gains (losses) in connection with the translation of receivables and payables denominated in currencies other than the functional currencies of Griffon and its subsidiaries, as well as $316, $424 and $110, respectively, of investment income.

NOTE 20—OTHER COMPREHENSIVE INCOME (LOSS)

The amounts recognized in other comprehensive income (loss) were as follows:

	Years Ended September 30,								
	2016			2015			2014		
	Pre-tax	Tax	Net of tax	Pre-tax	Tax	Net of tax	Pre-tax	Tax	Net of tax
Foreign currency translation adjustments	$17,284	$ —	$17,284	$(56,358)	$ —	$(56,358)	$(23,933)	$ —	$(23,933)
Pension and other defined benefit plans	(8,694)	3,043	(5,651)	(6,655)	2,329	(4,326)	(6,061)	2,147	(3,914)
Cash flow hedge	(2,593)	907	(1,686)	662	(232)	430	386	(134)	252
Available-for-sale securities	—	—	—	(1,370)	500	(870)	1,370	(500)	870
Total other comprehensive income (loss)	$ 5,997	$3,950	$ 9,947	$(63,721)	$2,597	$(61,124)	$(28,238)	$1,513	$(26,725)

The components of Accumulated other comprehensive income (loss) are as follows:

	At September 30,	
	2016	2015
Foreign currency translation adjustments	$(42,894)	$(60,178)
Pension and other defined benefit plans	(37,343)	(31,692)
Cash flow hedge	(1,004)	682
	$(81,241)	$(91,188)

(US dollars and non US currencies in thousands, except per share data)

Total comprehensive income (loss) were as follows:

	For the Years Ended September 30,		
	2016	2015	2014
Net income (loss)	$30,010	$ 34,289	$ (177)
Other comprehensive income (loss), net of taxes	9,947	(61,124)	(26,725)
Comprehensive income (loss)	$39,957	$(26,835)	$(26,902)

Amounts reclassified from accumulated other comprehensive income (loss) to income (loss) were as follows:

	For the Years Ended September 30,		
	2016	2015	2014
Gain (Loss)			
Pension amortization	$(2,375)	$(2,182)	$(1,934)
Available-for-sale securities	—	1,370	—
Cash flow hedges	(752)	1,223	—
Total before tax	(3,127)	411	(1,934)
Tax	225	(164)	677
Net of tax	$(2,902)	$ 247	$(1,257)

NOTE 21—CONSOLIDATING GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

Griffon's Senior Notes are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis by the domestic assets of Clopay Building Products Company, Inc., Clopay Plastic Products Company, Inc., Telephonics Corporation, The AMES Companies, Inc., ATT Southern, Inc., and Clopay Ames True Temper Holding, Corp., all of which are indirectly 100% owned by Griffon. In accordance with Rule 3-10 of Regulation S-X promulgated under the Securities Act of 1933, presented below are condensed consolidating financial information as of September 30, 2016 and 2015, and for the years ended September 30, 2016, 2015 and 2014. The financial information may not necessarily be indicative of results of operations or financial position had the guarantor companies or non-guarantor companies operated as independent entities. The guarantor companies and the non-guarantor companies include the consolidated financial results of their wholly owned subsidiaries accounted for under the equity method.

The indenture relating to the Senior Notes (the "Indenture") contains terms providing that, under certain limited circumstances, a guarantor will be released from its obligations to guarantee the Senior Notes. These circumstances include (i) a sale of at least a majority of the stock, or all or substantially all the assets, of the subsidiary guarantor as permitted by the Indenture; (ii) a public equity offering of a subsidiary guarantor that qualifies as a "Minority Business" as defined in the Indenture (generally, a business the EBITDA of which constitutes less than 50% of the segment adjusted EBITDA of the Company for the most recently ended four fiscal quarters), and that meets certain other specified conditions as set forth in the Indenture; (iii) the designation of a guarantor as an "unrestricted subsidiary" as defined in the Indenture, in compliance with the terms of the Indenture; (iv) Griffon exercising its right to defease the Senior Notes, or to otherwise discharge its obligations under the Indenture, in each case in accordance with the terms of the Indenture; and (v) upon obtaining the requisite consent of the holders of the Senior Notes.

(US dollars and non US currencies in thousands, except per share data)

CONDENSED CONSOLIDATING BALANCE SHEETS

At September 30, 2016

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
CURRENT ASSETS					
Cash and equivalents	6,517	27,692	38,344	—	72,553
Accounts receivable, net of allowances	—	175,583	63,810	(5,642)	233,751
Contract costs and recognized income not yet billed, net of progress payments	—	126,961	—	—	126,961
Inventories, net	—	239,325	69,544	—	308,869
Prepaid and other current assets	39,763	31,191	16,447	(48,796)	38,605
Assets of discontinued operations	—	—	219	—	219
Total Current Assets	46,280	600,752	188,364	(54,438)	780,958
PROPERTY, PLANT AND EQUIPMENT, net	956	303,735	100,713	—	405,404
GOODWILL	—	284,875	76,310	—	361,185
INTANGIBLE ASSETS, net	—	147,960	62,639	—	210,599
INTERCOMPANY RECEIVABLE	539,938	713,118	307,081	(1,560,137)	—
EQUITY INVESTMENTS IN SUBSIDIARIES	824,887	866,595	1,916,622	(3,608,104)	—
OTHER ASSETS	6,529	12,151	12,675	(9,373)	21,982
ASSETS OF DISCONTINUED OPERATIONS	—	—	1,968	—	1,968
Total Assets	1,418,590	2,929,186	2,666,372	(5,232,052)	1,782,096
CURRENT LIABILITIES					
Notes payable and current portion of long-term debt	3,153	2,307	17,184	—	22,644
Accounts payable and accrued liabilities	65,751	202,657	65,213	(39,686)	293,935
Liabilities of discontinued operations	—	—	1,684	—	1,684
Total Current Liabilities	68,904	204,964	84,081	(39,686)	318,263
LONG-TERM DEBT, net	848,589	18,872	46,453	—	913,914
INTERCOMPANY PAYABLES	57,648	737,980	735,053	(1,530,681)	—
OTHER LIABILITIES	32,502	114,491	26,574	(36,301)	137,266
LIABILITIES OF DISCONTINUED OPERATIONS	—	—	1,706	—	1,706
Total Liabilities	1,007,643	1,076,307	893,867	(1,606,668)	1,371,149
SHAREHOLDERS' EQUITY	410,947	1,852,879	1,772,505	(3,625,384)	410,947
Total Liabilities and Shareholders' Equity	1,418,590	2,929,186	2,666,372	(5,232,052)	1,782,096

(US dollars and non US currencies in thousands, except per share data)

CONDENSED CONSOLIDATING BALANCE SHEETS

At September 30, 2015

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
CURRENT ASSETS					
Cash and equivalents	$ 2,440	$ 10,671	$ 38,890	$ —	$ 52,001
Accounts receivable, net of allowances	—	178,830	61,772	(21,847)	218,755
Contract costs and recognized income not yet billed, net of progress payments	—	103,879	16	—	103,895
Inventories, net	—	257,929	67,880	—	325,809
Prepaid and other current assets	8,665	27,584	12,488	(8,479)	40,258
Assets of discontinued operations	—	—	236	—	236
Total Current Assets	11,105	578,893	181,282	(30,326)	740,954
PROPERTY, PLANT AND EQUIPMENT, net	1,108	286,854	92,010	—	379,972
GOODWILL	—	284,875	71,366	—	356,241
INTANGIBLE ASSETS, net	—	152,412	61,425	—	213,837
INTERCOMPANY RECEIVABLE	542,297	904,840	263,480	(1,710,617)	—
EQUITY INVESTMENTS IN SUBSIDIARIES	745,262	644,577	1,740,889	(3,130,728)	—
OTHER ASSETS	37,982	30,203	9,959	(59,590)	18,554
ASSETS OF DISCONTINUED OPERATIONS	—	—	3,255	—	3,255
Total Assets	$1,337,754	$2,882,654	$2,423,666	$(4,931,261)	$1,712,813
CURRENT LIABILITIES					
Notes payable and current portion of long-term debt	$ 2,202	$ 3,842	$ 10,549	$ —	$ 16,593
Accounts payable and accrued liabilities	26,365	222,758	72,843	(20,951)	301,015
Liabilities of discontinued operations	—	—	2,229	—	2,229
Total Current Liabilities	28,567	226,600	85,621	(20,951)	319,837
LONG-TERM DEBT, net	752,839	17,116	57,021	—	826,976
INTERCOMPANY PAYABLES	76,477	831,345	775,120	(1,682,942)	—
OTHER LIABILITIES	49,346	126,956	28,428	(72,634)	132,096
LIABILITIES OF DISCONTINUED OPERATIONS	—	—	3,379	—	3,379
Total Liabilities	907,229	1,202,017	949,569	(1,776,527)	1,282,288
SHAREHOLDERS' EQUITY	430,525	1,680,637	1,474,097	(3,154,734)	430,525
Total Liabilities and Shareholders' Equity	$1,337,754	$2,882,654	$2,423,666	$(4,931,261)	$1,712,813

(US dollars and non US currencies in thousands, except per share data)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the Year Ended September 30, 2016

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
Revenue	$ —	$1,560,535	$425,182	$ (28,556)	$1,957,161
Cost of goods and services	—	1,173,928	339,934	(30,135)	1,483,727
Gross profit	—	386,607	85,248	1,579	473,434
Selling, general and administrative expenses	26,427	263,357	74,613	(370)	364,027
Restructuring and other related charges	—	1,299	4,601	—	5,900
Total operating expenses	26,427	264,656	79,214	(370)	369,927
Income (loss) from operations	(26,427)	121,951	6,034	1,949	103,507
Other income (expense)					
Interest income (expense), net	(12,549)	(34,588)	(3,974)	—	(51,111)
Other, net	337	3,471	(1,091)	(1,949)	768
Total other income (expense)	(12,212)	(31,117)	(5,065)	(1,949)	(50,343)
Income (loss) before taxes	(38,639)	90,834	969	—	53,164
Provision (benefit) for income taxes	(16,333)	34,535	4,952	—	23,154
Income (loss) before equity in net income of subsidiaries	(22,306)	56,299	(3,983)	—	30,010
Equity in net income (loss) of subsidiaries	52,316	(5,728)	56,299	(102,887)	—
Net Income (loss)	$ 30,010	$ 50,571	$ 52,316	$(102,887)	$ 30,010
Comprehensive income (loss)	$ 39,957	$ 44,265	$ 68,970	$(113,235)	$ 39,957

(US dollars and non US currencies in thousands, except per share data)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the Year Ended September 30, 2015

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
Revenue	$ —	$1,581,295	$475,380	$ (40,643)	$2,016,032
Cost of goods and services	—	1,204,872	377,348	(41,966)	1,540,254
Gross profit	—	376,423	98,032	1,323	475,778
Selling, general and administrative expenses	22,637	272,421	80,073	(370)	374,761
Restructuring and other related charges	—	—	—	—	—
Total operating expenses	22,637	272,421	80,073	(370)	374,761
Income (loss) from operations	(22,637)	104,002	17,959	1,693	101,017
Other income (expense)					
Interest income (expense), net	(8,741)	(30,547)	(8,584)	—	(47,872)
Other, net	438	10,521	(8,775)	(1,693)	491
Total other income (expense)	(8,303)	(20,026)	(17,359)	(1,693)	(47,381)
Income (loss) before taxes	(30,940)	83,976	600	—	53,636
Provision (benefit) for income taxes	(11,041)	31,100	(712)	—	19,347
Income (loss) before equity in net income of subsidiaries	(19,899)	52,876	1,312	—	34,289
Equity in net income (loss) of subsidiaries	54,188	3,062	52,876	(110,126)	—
Net income (loss)	$ 34,289	$ 55,938	$ 54,188	$(110,126)	$ 34,289
Comprehensive income (loss)	$(26,835)	$ 34,318	$ 15,080	$ (49,398)	$ (26,835)

(US dollars and non US currencies in thousands, except per share data)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the Year Ended September 30, 2014

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
Revenue	$ —	$1,526,678	$519,349	$(54,216)	$1,991,811
Cost of goods and services	—	1,156,268	424,568	(48,424)	1,532,412
Gross profit	—	370,410	94,781	(5,792)	459,399
Selling, general and administrative expenses	24,084	281,930	75,551	(6,466)	375,099
Restructuring and other related charges	—	4,234	1,902	—	6,136
Total operating expenses	24,084	286,164	77,453	(6,466)	381,235
Income (loss) from operations	(24,084)	84,246	17,328	674	78,164
Other income (expense)					
Interest income (expense), net	(10,079)	(28,630)	(9,435)	—	(48,144)
Extinguishment of debt	(38,890)	—	—	—	(38,890)
Other, net	111	7,945	(4,228)	(674)	3,154
Total other income (expense)	(48,858)	(20,685)	(13,663)	(674)	(83,880)
Income (loss) before taxes	(72,942)	63,561	3,665	—	(5,716)
Provision (benefit) for income taxes	(32,044)	26,480	25	—	(5,539)
Income (loss) before equity in net income of subsidiaries	(40,898)	37,081	3,640	—	(177)
Equity in net income (loss) of subsidiaries	40,721	3,531	37,081	(81,333)	—
Net Income (loss)	$ (177)	$ 40,612	$ 40,721	$(81,333)	$ (177)
Comprehensive income (loss)	$(26,902)	$ 28,355	$ 25,704	$(54,059)	$ (26,902)

GRIFFON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(US dollars and non US currencies in thousands, except per share data)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the Year Ended September 30, 2016

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ 30,010	$ 50,571	$ 52,316	$(102,887)	$ 30,010
Net cash provided by (used in) operating activities	(11,879)	98,891	18,925	—	105,937
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment	(259)	(78,159)	(12,341)	—	(90,759)
Intercompany distributions	—	(2,726)	(1,744)	—	(4,470)
Proceeds from sale of property, plant and equipment	—	765	144	—	909
Investment purchases	715	—	—	—	715
Net cash provided by (used in) investing activities	456	(80,120)	(13,941)	—	(93,605)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Purchase of shares for treasury	(65,307)	—	—	—	(65,307)
Proceeds from long-term debt	271,340	2,311	28,711	—	302,362
Payments of long-term debt	(177,513)	(2,135)	(35,338)	—	(214,986)
Change in short-term borrowings	—	—	(54)	—	(54)
Financing costs	(4,277)	—	(107)	—	(4,384)
Tax effect from exercise/vesting of equity awards, net	—	—	—	—	—
Dividends paid	(8,798)	—	—	—	(8,798)
Other, net	55	(1,926)	1,926	—	55
Net cash provided by (used in) financing activities	15,500	(1,750)	(4,862)	—	8,888
CASH FLOWS FROM DISCONTINUED OPERATIONS:					
Net cash used in discontinued operations	—	—	(1,554)	—	(1,554)
Effect of exchange rate changes on cash and equivalents	—	—	886	—	886
NET DECREASE IN CASH AND EQUIVALENTS	4,077	17,021	(546)	—	20,552
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	2,440	10,671	38,890	—	52,001
CASH AND EQUIVALENTS AT END OF PERIOD	$ 6,517	$ 27,692	$ 38,344	$ —	$ 72,553

GRIFFON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(US dollars and non US currencies in thousands, except per share data)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the Year Ended September 30, 2015

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ 34,289	$ 55,938	$ 54,188	$(110,126)	$ 34,289
Net cash provided by (used in) operating activities	58,760	27,130	(9,753)	—	76,137
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment	(274)	(54,196)	(19,150)	—	(73,620)
Acquired business, net of cash acquired	—	(2,225)	—	—	(2,225)
Intercompany distributions	10,000	(10,000)	—	—	—
Investment sales	8,891	—	—	—	8,891
Proceeds from sale of property, plant and equipment	—	142	192	—	334
Net cash provided by (used in) investing activities	18,617	(66,279)	(18,958)	—	(66,620)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of common stock	371	—	—	—	371
Purchase of shares for treasury	(82,343)	—	—	—	(82,343)
Proceeds from long-term debt	124,500	13,596	95,395	—	233,491
Payments of long-term debt	(116,702)	(1,263)	(69,770)	—	(187,735)
Change in short-term borrowings	—	—	(365)	—	(365)
Financing costs	(614)	(196)	(498)	—	(1,308)
Tax effect from exercise/vesting of equity awards, net	345	—	—	—	345
Dividends paid	(7,654)	—	—	—	(7,654)
Other, net	347	6,161	(6,161)	—	347
Net cash provided by (used in) financing activities	(81,750)	18,298	18,601	—	(44,851)
CASH FLOWS FROM DISCONTINUED OPERATIONS:					
Net cash used in discontinued operations	—	—	(918)	—	(918)
Effect of exchange rate changes on cash and equivalents	—	—	(4,152)	—	(4,152)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(4,373)	(20,851)	(15,180)	—	(40,404)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	6,813	31,522	54,070	—	92,405
CASH AND EQUIVALENTS AT END OF PERIOD	$ 2,440	$ 10,671	$ 38,890	$ —	$ 52,001

(US dollars and non US currencies in thousands, except per share data)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Year Ended September 30, 2014

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ (177)	$ 40,612	$ 40,721	$(81,333)	$ (177)
Net cash provided by operating activities	(3,902)	17,168	80,035	—	93,301
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment	(700)	(64,320)	(12,074)	—	(77,094)
Acquired business, net of cash acquired	—	2,675	(64,981)	—	(62,306)
Intercompany distributions	10,000	(10,000)	—	—	—
Purchase of securities	(8,402)	—	—	—	(8,402)
Proceeds from sale of property, plant and equipment	—	360	192	—	552
Net cash used in investing activities	898	(71,285)	(76,863)	—	(147,250)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of common stock	584	—	—	—	584
Purchase of shares for treasury	(79,614)	—	—	—	(79,614)
Proceeds from long-term debt	659,568	(102)	32,477	—	691,943
Payments of long-term debt	(598,250)	(1,135)	(3,709)	—	(603,094)
Change in short-term borrowings	—	—	(749)	—	(749)
Financing costs	(10,763)	—	(535)	—	(11,298)
Purchase of ESOP shares	(20,000)	—	—	—	(20,000)
Tax effect from exercise/vesting of equity awards, net	273	—	—	—	273
Dividends paid	(11,273)	5,000	—	—	(6,273)
Other, net	298	56,533	(56,533)	—	298
Net cash used in financing activities	(59,177)	60,296	(29,049)	—	(27,930)
CASH FLOWS FROM DISCONTINUED OPERATIONS:					
Net cash used in discontinued operations	—	—	(1,528)	—	(1,528)
Effect of exchange rate changes on cash and equivalents	—	—	(2,318)	—	(2,318)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(62,181)	6,179	(29,723)	—	(85,725)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	68,994	25,343	83,793	—	178,130
CASH AND EQUIVALENTS AT END OF PERIOD	$ 6,813	$ 31,522	$ 54,070	$ —	$ 92,405

NOTE 22—SUBSEQUENT EVENTS

On November 16, 2016, Griffon declared a $0.06 per share dividend payable on December 22, 2016 to shareholders of record as of December 5, 2016. Griffon currently intends to pay dividends each quarter; however, payment of dividends is determined by the Board of Directors, at its discretion, based on various factors, and no assurance can be provided as to the payment of future dividends.

*****

SCHEDULE II

GRIFFON CORPORATION

VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended September 30, 2016, 2015 and 2014
(in thousands)

Description	Balance at Beginning of Year	Recorded to Cost and Expense	Accounts Written Off, net	Other	Balance at End of Year
FOR THE YEAR ENDED SEPTEMBER 30, 2016					
Allowance for Doubtful Accounts					
Bad debts	$ 2,640	$ 347	(783)	$ 45	$ 2,249
Sales returns and allowances	2,702	2,821	(1,369)	22	4,176
	$ 5,342	$ 3,168	$ (2,152)	$ 67	$ 6,425
Inventory valuation	$14,634	$12,425	$ (9,007)	$ 391	$18,443
Deferred tax valuation allowance	$10,462	$ 2,370	$ —	$ —	$12,832
FOR THE YEAR ENDED SEPTEMBER 30, 2015					
Allowance for Doubtful Accounts					
Bad debts	$ 3,627	$ 76	$ (934)	$(129)	$ 2,640
Sales returns and allowances	3,709	1,313	(2,205)	(115)	2,702
	$ 7,336	$ 1,389	$ (3,139)	$(244)	$ 5,342
Inventory valuation	$16,613	$ 6,476	$ (7,603)	$(852)	$14,634
Deferred tax valuation allowance	$15,649	$(5,187)	$ —	$ —	$10,462
FOR THE YEAR ENDED SEPTEMBER 30, 2014					
Allowance for Doubtful Accounts					
Bad debts	$ 4,080	$ 359	$ (784)	$ (28)	$ 3,627
Sales returns and allowances	2,056	3,655	(1,985)	(17)	3,709
	$ 6,136	$ 4,014	$ (2,769)	$ (45)	$ 7,336
Inventory valuation	$15,728	$13,613	$(12,627)	$(101)	$16,613
Deferred tax valuation allowance	$13,421	$ 2,228	$ —	$ —	$15,649

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

Not applicable.

Item 9A. *Controls and Procedures*

Evaluation and Disclosure Controls and Procedures

Griffon's management, with the participation of its Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of Griffon's disclosure controls and procedures, as defined by Exchange Act Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, Griffon's disclosure controls and procedures were effective to ensure that information required to be disclosed by Griffon in the reports that it files or submits under the Exchange Act are recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms and such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosures.

Management's Report on Internal Control over Financial Reporting

Griffon's management is responsible for establishing and maintaining adequate internal control over financial reporting. Griffon's internal control over financial reporting is a process designed under the supervision of its Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Griffon's financial statements for external reporting in accordance with accounting principles generally accepted in the United States of America. Management evaluates the effectiveness of Griffon's internal control over financial reporting using the criteria set forth by the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Management, under the supervision and with the participation of Griffon's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of Griffon's internal control over financial reporting as of September 30, 2016 and concluded that it is effective.

Griffon's independent registered public accounting firm, Grant Thornton LLP, has audited the effectiveness of Griffon's internal control over financial reporting as of September 30, 2016, and has expressed an unqualified opinion in their report which appears in this Annual Report on Form 10-K.

Changes in Internal Controls

There were no changes in Griffon's internal control over financial reporting identified in connection with the evaluation referred to above that occurred during the fourth quarter of the year ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

Griffon's internal control over financial reporting is designed 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. Griffon's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Griffon's assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that Griffon's receipts and expenditures are being made only in accordance with authorizations of Griffon's management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Griffon's assets that could have a material effect on the financial statements.

Management, including Griffon's Chief Executive Officer and Chief Financial Officer, does not expect that Griffon's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods is subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Item 9B. ***Other Information***

None.

PART III

The information required by **Part III: Item 10,** ***Directors, and Executive Officers and Corporate Governance*****; Item 11,** ***Executive Compensation*****; Item 13,** ***Certain Relationships and Related Transactions and Director Independence*****; and Item 14,** ***Principal Accountant Fees and Services*** is included in and incorporated by reference to Griffon's definitive proxy statement in connection with its Annual Meeting of Stockholders scheduled to be held in January, 2017, to be filed with the Securities and Exchange Commission within 120 days following the end of Griffon's year ended September 30, 2016. Information relating to the executive officers of the Registrant appears under Item 1 of this report.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information regarding security ownership of certain beneficial owners and management that is required to be included pursuant to this Item 12 is included in and incorporated by reference to Griffon's definitive proxy statement in connection with its Annual Meeting of Stockholders scheduled to be held in January, 2017.

The following sets forth information relating to Griffon's equity compensation plans as of September 30, 2016:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders[1]	356,000	$19.91	1,922,661
Equity compensation plans not approved by security holders	—	$ —	—

(1) Excludes restricted shares and restricted stock units issued in connection with Griffon's equity compensation plans. The total reflected in Column (c) includes shares available for grant as any type of equity award under the Incentive Plan.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Griffon has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 17th day of November 2016.

GRIFFON CORPORATION

By: /s/ RONALD J. KRAMER

Ronald J. Kramer,
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on November 17, 2016 by the following persons on behalf of the Registrant in the capacities indicated:

/s/ HARVEY R. BLAU Harvey R. Blau	Chairman of the Board
/s/ RONALD J. KRAMER Ronald J. Kramer	Chief Executive Officer (Principal Executive Officer)
/s/ BRIAN G. HARRIS Brian G. Harris	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ W. CHRISTOPHER DURBOROW W. Christopher Durborow	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)
/s/ HENRY A. ALPERT Henry A. Alpert	Director
/s/ THOMAS BROSIG Thomas Brosig	Director
/s/ BLAINE V. FOGG Blaine V. Fogg	Director
/s/ LOUIS J. GRABOWSKY Louis J. Grabowsky	Director
/s/ BRADLEY J. GROSS Bradley J. Gross	Director
/s/ ROBERT G. HARRISON Robert G. Harrison	Director
/s/ DONALD J. KUTYNA Donald J. Kutyna	Director
/s/ VICTOR EUGENE RENUART Victor Eugene Renuart	Director
/s/ KEVIN F. SULLIVAN Kevin F. Sullivan	Director
/s/ WILLIAM H. WALDORF William H. Waldorf	Director

Exhibit 31.1

Certification

I, Ronald J. Kramer, certify that:

1. I have reviewed this annual report on Form 10-K of Griffon Corporation;

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(s) 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(s) 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: November 17, 2016

/s/ RONALD J. KRAMER

Ronald J. Kramer
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification

I, Brian G. Harris, certify that:

1. I have reviewed this annual report on Form 10-K of Griffon Corporation;

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(s) 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(s) 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: November 17, 2016

/s/ BRIAN G. HARRIS

Brian G. Harris
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K of Griffon Corporation (the "Company") for the period ended September 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ronald J. Kramer, as Chief Executive Officer of Griffon, and Brian G. Harris, as Chief Financial Officer of Griffon, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Griffon.

/s/ RONALD J. KRAMER

Name: Ronald J. Kramer
Title: Chief Executive Officer
(Principal Executive Officer)
Date: November 17, 2016

/s/ BRIAN G. HARRIS

Name: Brian G. Harris
Title: Chief Financial Officer
(Principal Financial Officer)
Date: November 17, 2016

A signed original of this written statement required by Section 906 has been provided to Griffon Corporation and will be retained by Griffon Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Griffon CORPORATION

COMPANY PROFILE

HOME & BUILDING PRODUCTS

The AMES Companies, founded in 1774, is the leading United States manufacturer and a global provider of long-handled tools and landscaping products for homeowners and professionals.

Website: www.ames.com

Clopay Building Products, since 1964, is a leading manufacturer and marketer of residential and commercial garage doors and sells to professional dealers and some of the largest home center retail chains in North America.

Website: www.clopaydoor.com

TELEPHONICS

Telephonics, founded in 1933, is recognized globally as a leading provider of highly sophisticated intelligence, surveillance and communications solutions for defense, aerospace and commerical customers.

Website: www.telephonics.com

CLOPAY PLASTIC PRODUCTS

Clopay Plastic Products, incorporated in 1934, is a global leader in the development and production of embossed, laminated and printed specialty plastic films for hygienic, health-care and industrial products and sells to some of the world's largest consumer products companies.

Website: www.clopayplastics.com

DIRECTORS

Henry A. Alpert
President, Spartan Petroleum Corp.
(petroleum distributor/real estate)

Harvey R. Blau
Chairman of the Board

Thomas J. Brosig
Strategic Business Consultant

Blaine V. Fogg, Esq.
Of Counsel
Skadden, Arps, Slate,
Meagher & Flom LLP

Louis J. Grabowsky
Co-Founder and Managing Director,
Juniper Capital Management

Bradley J. Gross
Managing Director, Goldman Sachs

Rear Admiral Robert G. Harrison
USN (Ret.)

Ronald J. Kramer
Chief Executive Officer

General Donald J. Kutyna
USAF (Ret.)

General Victor Eugene Renuart
USAF (Ret.)
President, The Renuart Group, LLC
(defense consulting firm)

Kevin F. Sullivan
MidOcean Credit Partners

William H. Waldorf
President, Landmark Capital, LLC
(investments)

OFFICERS

Ronald J. Kramer
Chief Executive Officer

Robert F. Mehmel
President and
Chief Operating Officer

Brian G. Harris
Senior Vice President and
Chief Financial Officer

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

W. Christopher Durborow
Vice President, Controller and
Chief Accounting Officer

Michael W. Hansen
Vice President, Corporate Strategy
and Development

Denise A. Lueders
Vice President, Taxation

Thomas D. Gibbons
Vice President and Treasurer

Tracy J.I. Fitzgerald
Vice President, Internal Audit

Independent Registered Public Accountants
Grant Thornton LLP

Stock Listing
The company's Common Stock is listed on the New York Stock Exchange (NYSE) under the symbol GFF.

Registrar and Transfer Agent
American Stock Transfer &
Trust Company

Additional copies of this report will be furnished to shareholders upon written request to the company at:

Griffon Corporation
Attn. Secretary
712 Fifth Avenue, 18th Floor
New York, New York 10019

Website
www.griffon.com

Griffon Corporation has included as exhibits to its Annual Report on Form 10-K for fiscal year 2016 filed with the SEC certifications of Griffon's Chief Executive Officer and Chief Financial Officer certifying the quality of the company's public disclosures. Griffon's Chief Executive Officer has also submitted to the NYSE a certification that he is not aware of any violations by Griffon of the NYSE corporate governance listing standards.